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applicants must accept Community regulations mitigated only by transitional arrangements, coupled with a rejection (which we know to be mainly tactical) of our calculations. So far the talks are still in the factual and exploratory stage - we have tabled our calculations but do not state, but only imply, the position indicated above; the Commission's review of our calculations has now gone forward for discussion by the Deputies of the Six.

12. There is a double dilemma here. First, on our side, whilst the cost to each member of the existing Community arrangements when these are in full force in the latter 1970s cannot be estimated save within wide margins of error, we cannot afford to sign a blank cheque for whatever the cost might turn out to be, especially in view of our continuing burden of debt repayments. Second, on the Six's side, whilst they must recognise that the burden on their financing arrangements on each individual member is bound to change as new Community policies are introduced and old ones modified, they dare not reopen the financial agreement they have reached after such prolonged negotiations. Moreover, if they accept the Werner Report, they will be aiming to be well on with the unification of their economies and currencies by the late 1970s, and by 1980 to have reached a position where the Community is virtually one economy with a unified balance of payments, as discussed in the next section.

13. Something will have to give if we are to reach agreement on this issue. Our negotiating objectives, not yet tabled, recognise this and provide for some give on each side. We seek a long transitional period for phasing in our due payments, a "key" (basic share of burden) which is less than our proportionate share of Community GNP: (we being less self-sufficient) and a review clause which can trigger off a redistribution of burdens if these are found to be unacceptable. We should get the first objective: we might get the second after a long haggle on the exact percentage: but the third would of its nature lay open the hard-won Community arrangements to review sooner or later. The French are clearly likely to resist this at least until the present arrangements are formally ratified, and indeed this must be about the last concession they might make to us.

United Kingdom economic prospects and economic and monetary harmonisation

14. On the logic of the last section, Community financing is another subject where hard and prolonged negotiation is in prospect and where consequently we should table opening proposals without delay. But a

substantive discussion of (a) our due share of Community financing will lead straight into (b) whether our economic prospects will enable us to pay that share and (c) how the position and prospects of our economy and of sterling will fit into the Community's plan for economic and monetary harmonisation. The French, significantly, want to open up at least (a) and (b) this year (and no doubt (c) when the Six adopt the Werner Plan): we should prefer not to get too far into this whole complex with the Six until we are reasonably assured that the holders of the balances are willing to renew The Basle Agreement stabilising much of the balances. This expires in September 1971, and we ought to start discussions with the holders as soon as the risk of complications arising from the issue of Arms for South Africa is past.

15. We may therefore have to make an early start say in December with discussion on (a) and try not to get too far into (b) and (c) until early 1971 in the hope that the position of the Basle Agreement will be clearer by then. As regards (b), our economic prospects, the very full negotiating briefs explain why we need not anticipate too much difficulty here. Broadly, this is because we do not have to negotiate adjustments to Community regimes, but only to show that our balance of payments prospects are for a substantial surplus as far ahead as can be seen; and to demonstrate how we can comply, subject to transitional periods, with the Community's monetary regulations, e. g. on capital movements, without too much disturbance to United Kingdom and Sterling area arrangements. This we should be able to do without too much difficulty, as the briefs explain in detail; but if the Community adopts the Werner Plan for economic and monetary harmonisation, which starts from 1st January 1971, the bus will be moving whilst we are still boarding it. So far, we have been able to get by with statements that we approve the Six's objectives in this field, and are prepared to move as far and as fast toward them as the Six themselves, because those objectives have been so vague and long term as to involve no real or binding commitment.

Economic and Monetary harmonisation

16. The Six's approval of the Werner Plan will not so much increase as make more precise the economic issues previously foreseeable. The Plan envisages three main lines of development over two stages to end 1970-73 and 1980-84 respectively. First, harmonisation of short and medium term economic policies - conjunctural, budgetary, fiscal and monetary. Second, harmonisation of member currencies - margins, markets and management (though parity changes are not ruled out up to the point where currencies finally interlock). Third, establishment of Community central authorities

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notably, a Community "agent" developing into a Federal Reserve Fund or Bank managing pooled reserves of gold and foreign currencies, and a political authority to control it. The two stages differ only in the degree of development towards these objectives.

17. The Plan itself is of course another though vastly more ambitious Cartesian statement of ultimate objectives, glossing over many of the difficulties of achieving them, and with a theoretical timetable covering ten years in which nothing will stay the same, and in which we as members would have a say in evolving the policy to implement the Plan. Qua economic issues, if in 1969 we could go "as far and as fast as the Six", we can in 1970. But the greater precision the Plan gives to the Six's aims and procedures will present the existing political problem in a much sharper form - the Plan is likely to refer specifically to the renunciation of national sovereignties in the economic and monetary fields, culminating in the achievement by 1980 of a common currency in fact if not in name, common central financial and political authorities, evolved in a conference of members to agree the necessary additions and amendments to the Treaty of Rome itself. If the Six adopt the Plan we shall be asked if we are prepared to accept its objectives and to co-operate in achieving them. A negative or temporising answer will probably terminate the negotiations: a positive one will make the previously implicit and limited renunciation of sovereignty quite explicit and very much more far-reaching, and will be challenged accordingly.

The attitude of individual members of the Six

18. No consideration of our European strategy is complete without some reference to this subject. The position of France is still the key factor here, but is different now, in 1970, from what it was right up to the Hague Conference at the end of 1969. The differences might be summarised as follows:-

(a) France's position in the Community -

The Hague Conference, called by M. Pompidou, marked the end of General de Gaulle's "veto" on the development of a Community of Six of which he explicitly disapproved. This was clear from the very terms M. Pompidou used for the tripartite French plan for the development of the Community, which the Conference adopted - completion, deepening and enlargement. Since the Conference the French have pressed hard for the first two of these objectives, and the results are clear, e. g. new common policies on financing, wine, fisheries, and now the Werner Plan. But the third aim - enlargement

was made conditional on the achievement of the other two: and on the acceptance of the results by applicant countries. In sum, France now accepts that she is not powerful enough to "go it alone" and that her aim must be to use a strengthened Community as an instrument of French policy. Her success to date in this policy has re-established her position in the Community, and her confidence.

(b) Rivalry with the United Kingdom -

The argument of "only one cock on the dunghill" is no longer heard. The French feel not only that the Community and their position in it is far stronger than it was, but also that our power and influence has appreciably diminished from what it was in the '60s and may decline further, whereas that of Germany has dangerously increased. They have recently, e. g. been far more concerned at Herr Brandt's Ostpolitik as a threat to the Paris-Bonn solidarity of de Gaulle and Kiesinger and so to France's "special relationship" with the USSR, than at any threat our membership of the Community might present. It is not only that our membership is a less immediate issue than the Ostpolitik, but also that France is beginning to see the need to have us in the Community, if we were more amenable, as a counterweight to growing German power which will not again be as amenable as it was in Kiesinger's time.

(c) Suspicion of the United Kingdom -

The argument that we are Anglo-Saxon rather than European in our outlook has somewhat diminished, but is still significantly there. In foreign policy, there are clear Anglo-French differences of line, with us closer to the American line, on the Middle East, South East Asia, East-West relations, NATO and disarmament and the NPT. In economic policy there are clear differences of a similar kind in the lines we take in the IMF and the GATT. So the old suspicions still persist, but rather less than before, and differently in different places. The old Gaullists - e. g. M. Debre - still find it difficult to drop the hostility which became a habit under General de Gaulle, but their attitude is perhaps less rigid than it was. Nearer the political centre MM. Chaban Delmas and Giscard d'Estaing favour British entry provided we accept Community policies without too

much demur and derogation. The Elysee has to balance internal and external considerations, and as our entry is not an immediately urgent issue, its attitude is currently as much aloof and unconvinced as it is hostile.

19. The mild change in France's attitude to us may be summed up as a French feeling that we are now less dangerous as a rival in the Community and somewhat less suspect as an American collaborator, but that we are not yet sufficiently harmless nor sufficiently European for them actively to help our entry into the Community, save after negotiations resulting in terms which further diminish our influence (e. g. via sterling) and which so tie us to Europe as to prevent us acting as American agents in it. It would be remarkable if we got into the Community without some bilateral exchange with France. A bilateral "deal", whether on nuclear affairs or anything else, may well be impracticable, as well as undesirable vis-a-vis the other Five. But some attempt to improve France's attitude to our entry must be considered as worthwhile and even necessary. It might take the form of consultations, culminating in a top level meeting, aimed at reducing wherever possible the differences of attitude indicated above, and at least of making France feel that this is being done, the timing being to lead up to a top level meeting before the major "crunch" of the EEC negotiations.

20. What we do for France we shall probably need to do for Germany, if somewhat less intensively. Herr Brandt's Government is far more favourable to our entry than was Herr Kiesinger's, but it is currently too preoccupied with the Ostpolitik and its shaky internal position to pay more than intermittent attention at the highest levels to the negotiations for our entry. Again, it might be worthwhile leading up to a top level meeting to reinforce West Germany's attention and support for our entry before the major "crunch" of the negotiations. Italy is favourable to us but distracted by internal divisions: continuing attention is necessary, but not at top level unless they suggest it. The Netherlands, mainly in the person of M. Luns, has been our most constant supporter. But M. Luns is retiring next year and Dutch support will be weaker and more intermittent. Belgium's constant tendency to manoeuvre somewhat capriciously between us and the Five makes her, however well-intentioned, an unreliable collaborator. In sum, we need to pay more attention to reducing our differences with France and to plan for top level meetings with France and West Germany before the major "crunch" of the EEC negotiations, and otherwise to continue contacts with the other members of the Six, as heretofore.

The main lines of our strategy to July 1971

21. A considered strategy. The argument of this memorandum so far points to the need for formulation and adoption of a considered strategy aimed at breaking the back of the negotiations, if not completing them, by July, 1971. Our representatives have recently been "floating" this aim in private discussions with suitable parties, and it may be that events will anyway move in that direction. But the objective ought to be adopted as a deliberate decision after full consideration of other likely developments in the relevant period, and as an integral part of a strategic programme. The crucial factor is, when the main "crunch" of the negotiations, i. e. that on Community financing and the related economic complex, should occur. In the first four months of 1971 we cannot reckon on more than three or four meetings of Ministers and eight of Deputies. We shall need all that time to close, or to narrow as far as possible, the negotiating gap on issues other than the crucial Community financing, economic prospects and economic harmonisation complex, and to have taken discussion on that complex up to a penultimate stage (the "other issues" including all Commonwealth, commercial, agricultural, transition, ECSC and EURATOM questions).

22. Timing. On that basis, we cannot foreseeably reach a "crunch" on the economic complex much before April; and any conclusions on other issues reached before then may only be provisional, as some of the conclusions, e. g. those on dairy products and sugar, will affect the solution on Community financing. A "crunch" on the economic complex in, say, April, would leave May to July for either continued negotiation on the complex if that was necessary, or for tidying-up operations if it was not. In any event, it seems better to aim for a "crunch" not later than April and to have to let it slip somewhat, than to aim for a "crunch" in June or July and have that slip over the long Community summer holidays when momentum and even agreement can be lost, and a firm conclusion of the negotiations by the end of 1971 imperilled. But we need also to consider what major internal and external events might be relevant to the negotiating timetable and the main foreseeable items here are listed in Annex B. These point to late April as the safest bet, if only to get the Budget and the Industrial Relations Bill out of the way before starting any decisive "crunch" with the Six. More precise thought is needed on this timing, but the above and Annex C provide a basis for discussion.

23. Negotiating tactics. The establishment of a broad strategic programme is bound to have implications both for our conduct of the negotiations and for our line on subjects outside but related to them. Within the negotiations, a programme on the lines just indicated would imply that -

- (a) We should put an expurgated version of our programme to the Six - at least a timetable of meetings at Ministerial and Deputy level with some indication of the subjects for discussion and perhaps some deadlines for completion of discussions.
- (b) We should table, by the end of the Ministerial meeting on 8th December, opening positions on all important issues, including a position on Community financing, but excluding discussion of our economic prospects and economic and monetary harmonisation, on which discussions should start early in the New Year.
- (c) We should not take up or maintain negotiating position from which we feel we shall have to retreat when really pressed. This applies both to subjects which are not of major importance, and to untenable positions on important subjects (e. g. the three and six year transitional periods for industry and agriculture).

24. Alignment with the Six. Outside the negotiations we need to do as much as we can to make the Six feel that the gap between us is being rapidly and deliberately narrowed. There is considerable scope for this on the basis of present and projected policies, perhaps doing a little more in some cases and a little less in others. Thus, on the common agricultural policy, we should make the most in Brussels of the significance of our move to interim import levy schemes. On the common commercial policy, we should follow up our general acceptance by avoiding unnecessary clashes with the EEC on the UNCTAD general preferences schemes and the United States/EEC discussions on their respective commercial policies and on their significance in GATT. On the common fiscal policy, our attitude to the value added tax should be as positive as possible. On the common industrial policy, the Commission's draft of which has much in common with our own attitudes, the Secretary of State for Trade and Industry might make a commendatory speech. In the field of monetary policy, we should avoid all unnecessary clashes with the EEC, though the main consideration here will be the discussions we shall have to have with them on the Basle Agreement and the economic complex. Finally, there are peripheral

subjects, mostly in the technological field, on which our attitude is for that reason important - aviation policy, the post-Apollo project, the Aigrain exercise, are examples. Pending the conclusion of the negotiations, it would pay us to show the maximum alignment with the Six where we can and so far as possible to avoid conflict where we cannot.

25. Effect of events at home on the negotiations. Both for general reasons, and because our capacity to carry the burdens of membership will come under examination, (especially by the French) our strategy must take into account major events and developments at home so far as these are foreseeable. Two major events in the period under review are the Budget in March/April and the passage into law of the Industrial Relations Bill at about the same time, when discussions on Community financing, on our economic prospects, and on economic and monetary harmonisation will be well advanced but probably not concluded. This will clearly be an important conjuncture when we need to appear as a sound and desirable member of the Community. The Government's policy towards the nationalised industries and on monopolies and competition will also be important, both in terms of "alignment" (paragraph 24) and of our ability to comply with Community policies on monopolies and competition in general and ECSC regulations in particular. The annual Farm Price Review in February/March is another area where domestic policy could have an effect on the negotiations. Finally, we should enhance our attractions as a member if we were seen to be supporting a speedy exploitation of the recent discoveries of mineral resources in the United Kingdom and its surrounding waters - ores, oil and gas - with appropriate public emphasis.

26. Strategy towards individual members of the Six. The desirability of closer bilateral consultations with the French and Germans leading up to top level meetings before the main "crunch" of the negotiations - i. e. probably in February/March - has been set out in paragraphs 19 and 20.

27. Conclusion. A broad indication of the strategic programme discussed in this memorandum and summarised in paragraphs 21 - 26 will be found in convenient tabular form in Annex B. Neither this memorandum nor its annexes consider a fair number of questions, including the position of other applicants, because the object is to examine the main issues of strategy necessary primary objective of success of our own negotiations. If the need for a considered strategic programme to July 1971, whether on the lines indicated in this memorandum or on any other lines, is accepted, the programme would need to be examined in greater detail and more widely

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than is possible here. Before that, however, it might be desirable to discuss the central question of United Kingdom strategy in a restricted forum, perhaps in the Economic Steering Committee, to settle the broad outlines before further work was put in hand.

EEC Negotiations - Summary of Progress

<u>SUBJECT</u>	<u>STAGE REACHED</u>	<u>FUTURE PROSPECTS</u>
1. Community Finance	Commission preparing report on factual United Kingdom paper	Six may take some time to consider Commission's report. We should press for early discussion in Deputies with aim of getting first Ministerial discussion on 8 December.
2. New Zealand (dairy products)	Commission preparing report on factual United Kingdom paper	Six may be ready for discussion by Deputies during November and by Ministers on 8 December.
3. Sugar	Commission preparing report on factual United Kingdom papers	Six may be ready for early discussion (October/November)
4. Milk, pigmeat and eggs	Discussion in Deputies, following exploratory talks with Commission	Should be settled at Ministerial meeting on 27 October
5. Annual review of agriculture	Discussion in Deputies on revising 1961-3 formula	Should be settled on 27 October?
6. Transitional periods	United Kingdom has put forward proposals in Deputies for both industry (3 years) and agriculture (6 years) including an initiation period of one year.	Six likely to continue to press for "adequate parallelism" ie periods of equal or, at best, not greatly dissimilar length for industry and agriculture
7. Duty quotas (for 12 industrial raw materials)	Detailed consideration of United Kingdom requests by Commission and experts of Six	Six's initial response varies from commodity to commodity: continuing discussion in Deputies

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ANNEX A

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<u>SUBJECT</u>	<u>STAGE REACHED</u>	<u>FUTURE PROSPECTS</u>
8. Common commercial policy	United Kingdom stated in Deputies on 14 October that as a member of Community we would conform to CCP subject to developments between now and our entry; in the meantime we were ready to meet Community as far as possible in this field	Should be settled on 27 October
9. United Kingdom dependencies (less Hong Kong and Gibraltar) - Association (Part IV, Treaty of Rome)	Community agreed in principle to United Kingdom request in Deputies on 14 October, while reserving right to consider further	We hope for provisional agreement on 27 October
10. Hong Kong and Gibraltar: Special Arrangements	In discussion on 14 October Deputies argued that Hong Kong was not comparable with other candidates for Association and constituted a special problem. They reserved their position on Gibraltar.	We want early discussions about Hong Kong and its treatment under the UNCTAD Generalised Preferences Scheme. We have invited Six to give their views on Gibraltar at Deputies' meeting on 21 October.
11. Independent African and Caribbean Commonwealth: Association - eg Yaounde Convention	Our opening statement suggested, by implication, reviving 1963 Declaration of Intent	Substantive discussion and settlement unlikely till agreement reached on sugar
12. Asian Commonwealth	Our opening statement referred to the UNCTAD generalised preferences scheme and to the provisional agreements reached in 1962	We may wish to raise in November in light of analysis of Six's offer on UNCTAD generalised preferences
13. ECSC	Discussion with Commission	Commission hope to report in time for discussion at Ministerial meeting on 8 December
14. Euratom	Six unwilling to discuss until their internal differences are resolved	Continued delay

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<u>SUBJECT</u>	<u>STAGE REACHED</u>	<u>FUTURE PROSPECTS</u>
15. Financial and Monetary Questions	Not yet discussed in the negotiations	No date for discussion yet fixed; we hope not till next year, when negotiations are reasonably advanced
16. Translation	Work in progress at technical level: first 37 Articles of Treaty of Rome (EEC) agreed	No substantial difficulties foreseen
17. Secondary Legislation	Work in progress at technical level	No substantial difficulties foreseen

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Annex B
STRATEGIC PROGRAMME TO JULY 1971

NOTE: Items starred* are possibilities suggested in the memorandum; on items marked ? the timing is uncertain

Events and Developments bearing on the EEC Negotiations

NOTE: This programme sets out most progress possible. A slip of 4 months would, given 2 months of Community summer holidays, push the conclusion of negotiations into 1972

Developments in EEC Negotiations

UK and EEC Developments

Developments in International Bodies

Oct. Factual Papers and Statements on all major issues where these appropriate tabled by mid-October

UK decides on aerospace projects.
November: Chancellor of Exchequer discusses Werner Report with Finance Ministers of Six and meets French and German Finance Ministers separately.

November 5-6 EFTA Ministerial Meeting

Opening UK Bids on all major items in the Sectors of Agriculture (save for Financing); Commonwealth (save for NE Dairy Products and Sugar); Transitional Periods (Ind and Ag.)

Chancellor of the Duchy to visit Paris and Rome

November: IMF Official mission in London reviews UK economic position under IMF debt arrangements

to Common External Tariff and ECSC, were tabled by mid-Oct., and consultations started on Harmonisation of Laws etc

November: European Space Conference - discussion of post-Apollo programme

International negotiations on UK import levy schemes (continuing until early Spring 1971?)

December: Meeting of OECD Working Party 3 - running review of members' economic position

Dec. Settlements in principle should be reached on 27 October on all major items in Agricultural Sector (save for Financing and Transitional Period) and on Commonwealth dependent territories (save for Hong Kong)

November/December: decision by Six on Hong Kong position under UNCTAD preferences scheme

US Decision on Mills Bill?

*Table UK Opening Bids by 8 December on NE dairy products, Sugar and Community financing, ie the remaining major items

Decision by Six on Werner Report? - which proposes implementation from 1 January 1971

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Developments in International Bodies

Developments in EEC Negotiations

UK and EEC Developments

Jan. *Start Discussions on UK Economic Prospects leading into:

to *Discussions on Economic and Monetary Harmonisation after CPMC

April *Seek to conclude agreement in principle on all items except the "economic complex" (Community Financing, Economic Prospects and Harmonisation)?

1971 *Crunch (at top level) on Economic Complex to get agreement in principle if possible

May *Mopping up operations -

to (a) Further discussions if necessary on the Economic Complex

(b) Completion of agreement on other major items in the light of (a)

July (c) "Tidying Up" on unsettled details of major subjects and minor items eg Harmonisation of Laws

1971 (d) If possible start drafting of Accession Agreement

January: Commonwealth Prime Ministers' Conference (CPMC)

Basle Agreement: discussions to be started after CPMC

February: Chancellor of Exchequer meets Italian Chancellor

Passage of Industrial Relations Bill?

March/April or April/May

Chancellor Opens Budget

Six decide on market regulations for Alcohol (probable) and sheepmeat (possible)?

* Prime Minister to meet M. Pospisil? and Herr Brandt?

May/July

Basle Agreement: conclude discussions?

GATT: reactions to US decision on Mills Bill? (GATT Contracting Parties meet in February, are likely to discuss EEC preferential arrangements and possibly, negotiations on non-tariff barriers)

1-5 March: UNCTAD Trade and Development Board meeting

Spring meeting of Group of Ten to continue discussion of IMF reform and international monetary developments

Early May: EFTA Ministerial meeting

May: OECD Ministerial Meeting (Economic and Financial affairs generally, but probably some final discussion of generalised preferences)

AS

L.H. RECORD OF THE PRIME MINISTER'S MEETING WITH
DR. L. BAUNSGAARD, PRIME MINISTER OF DENMARK, AT
12.30 p.m. ON THURSDAY, OCTOBER 22, 1970, AT
THE WALDORF TOWERS, NEW YORK.

ALSO PRESENT:

Mr. Paul Henning Fischer
(P.M.'s Permanent Under-
Secretary)

Sir Denis Greenhill
Mr. R. T. Armstrong

Dr. Baunsgaard said that Danish entry into the E.E.C. would be conditional upon United Kingdom accession. He was well content with the arrangements which had been made for discussion and consultation between Britain and Denmark during the negotiations. The Danish Government's main concern lay in the problems of the transitional period. The Danish Government had proposed officially that there should be no transitional period for Denmark. Unofficially they accepted, that this was unrealistic, and they would be prepared to settle for a transitional period of three years. They took the view that the six years proposed by the United Kingdom was too long. It was also extremely important to Denmark that the transitional period should be the same for industrial as for agricultural commodities: entry into the Community would expose Danish industry to stiffer competition from the E.E.C. countries, and it was important to be able to show that this adverse effect on Danish industry was counter-balanced by the advantages to Danish agriculture of entering the Common Market.

The Prime Minister said that the main reason for proposing a transitional period of six years for the United Kingdom was the need to provide time for the major change in the system of agricultural support which would be required. A start was already being made on this, but the process could not be completed quickly. From the industrial point of view, the United Kingdom would have been prepared to complete the

transition relatively quickly. He himself was not clear that different transitional periods for industry and agriculture need be completely ruled out. He saw the intellectual argument for keeping the periods the same for industry and for agriculture but doubted whether over periods of the sort of length indicated the inequities and anomalies that would arise would be very serious or lasting.

Dr. Baunsgaard said that another difference between Britain and Denmark was over the rate of progress during the transitional period. The Danes would propose that their agricultural prices should be raised in three stages, of 40 per cent, 30 per cent and 30 per cent each. That did not appear to correspond with the British concept of a small first step, with larger steps later on. The British were also proposing that there should be no change in the initial year.

The Prime Minister ^{the British position} said that represented no more than a realistic approach in the light of what would have to be done in the first year. It would not be possible to embark on the changes necessary for facilitating entry into the Market until the processes of ratification by all the countries concerned, which might take up to a year, were completed, since until then British entry into the Market could not be taken as assured. Thereafter, there would be a period of getting on for a year while the necessary legislative provisions were introduced and passed through Parliament. It was for these reasons that the British were suggesting that there should be no first step until after a year.

Dr. Baunsgaard said that a preparatory year of this kind would not present difficulties for Denmark; but the problems of the length of the transitional period and the progressions within it remained difficult.

Dr. Baunsgaard said that some Danish horticultural interests would benefit from entry into the E.E.C., though some of their less competitive growers would face a difficult time. The special meat arrangements which Denmark had had with

Germany in 1963 had expired. He was not clear that there would be a much larger market for Danish meat in Germany, though they might get better prices for their meat.

As far as the Norwegians were concerned, provided that a solution could be found for their special problems, notably on agriculture and fishing, Dr. Baunsgaard believed that the necessary majority in a referendum would be forthcoming.

The Swedish Government appeared to be taking a similar line on the implications for EFTA to that which they had taken in 1967, of waiting until negotiations for accession of new members into the E.E.C. were complete before tackling the problems for the EFTA countries which were not entering. There was a danger that, if the EFTA countries postponed thinking about the problems in this way, they would be faced with a situation in which they were unable to exert any significant influence upon the outcome as far as they were concerned. Dr. Baunsgaard said that he had told Mr. Palme that Sweden should be taking an initiative with other EFTA countries in this matter. The Prime Minister and Dr. Baunsgaard agreed that Britain and Denmark should use the opportunity of the next EFTA Meeting to try to start serious consideration of these problems.

Dr. Baunsgaard asked whether Britain was seeking a longer transitional period for the financial arrangements. The Prime Minister said that Britain had not suggested any particular length of transitional period for financial

matters. The basic question was what the proportionate shares should be at the end of the period, and this question ought to be faced at an early stage.

Mr. McCann (Secretary of the Department of External Affairs)
Mr. Callaghan (Department of External Affairs)
Sir Denis Greenhall
Mr. H. T. Anderson

REA

The Prime Minister welcomed the meeting with Mr. Lynch since he was Prime Minister. He had much valued the exchange of messages which they had had on matters affecting Northern Ireland, and was glad to meet him.

October 22, 1970

On the negotiation for entry into the Common Market, he had noted that the Chancellor of the Duchy of Lancaster had said that he expected that the bulk of the negotiations would be taken by the middle of next year. He confirmed that discussions and negotiations between the United Kingdom and Ireland were proceeding satisfactorily. Ireland's own negotiations with the Commission were in an early stage, but had not yet begun.

Distribution:

- P/S to the Foreign and Commonwealth Secretary
- P/S to the Chancellor of the Exchequer
- P/S to the Chancellor of the Duchy of Lancaster
- P/S to the Minister of Agriculture.
- P/S to the Secretary of State for Trade and Industry
- Sir Burke Trend
- Sir William Nield

5.

RECORD OF THE PRIME MINISTER'S MEETING WITH MR. LYNCH,
TAOISEACH OF IRELAND AT 11.45 a.m. ON OCTOBER 21, 1970
AT THE WALDORF TOWERS, NEW YORK.

ALSO PRESENT:

Mr. ^{H.S.} McCann (Secretary of the Department of External Affairs)	Sir Denis Greenhill Mr. R. T. Armstrong
Mr. ^{E.} Gallagher (Department of External Affairs)	

The Prime Minister welcomed this first meeting with Mr. Lynch since becoming Prime Minister. He had much valued the exchange of messages which they had had on matters affecting Northern Ireland, and was glad now to meet him.

On the negotiations for entry into the Common Market, Mr. Lynch said that he had noted that the Chancellor of the Duchy of Lancaster had said that he expected that the back of the negotiations would be broken by the middle of next year. He confirmed that discussions and consultations between the United Kingdom and Ireland were proceeding satisfactorily. Ireland's own negotiations with the Community were still at an early stage, but had got beyond mere preliminaries. The Prime Minister confirmed that the ~~Community~~ ^{Community} ~~British~~ position was to seek the same transitional period for all goods and commodities, including agricultural commodities.

Ref: Y 0413

MR ARMSTRONG

c. Sir Burke Trend

Retained in
Cabinet file
 Apart from three top secret reports on the key issue of Community financing, I have not thought it right to trouble the Prime Minister with further advice on Europe since my strategic survey of July 2nd and further note on central co-ordination of European policies of July 7th.

This was not only because the Prime Minister has been very pressed with other matters but also because there was no need to trouble him. The Ministerial and Official Committees and the Brussels team have been completing and deploying our opening strategy, and the initial Community responses have been, as expected, slow and stiff.

We are now, however, coming to the end of the opening phase, in which our strategy was to present to the Community and so far as possible agree with them, factual survey papers on the main issues. The Community is now approaching the point of considered response to these papers and to the opening bids we have made in cases where these could hardly be withheld, notably on transitional periods for industry and agriculture.

Increasingly from now on the opening phase of factual survey plus a few opening bids will merge into the second phase in which all major bids will have to be tabled and responses to them considered. That will take us to about the end of this year. In the first quarter of 1971 we shall have to react to their responses to our opening bids, probably with a real "crunch" or series of crunches not later than March or early April.

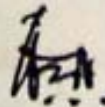
The shaping of our second phase strategy (deployment of all our bids) will clearly be important both per se and because it will, to a considerable extent, shape the course of the third and perhaps crucial phase in January to March next year. I therefore feel the Prime Minister will wish, and for many reasons I think he ought, to take stock at an early date of where we have got to and where we are going, and how, in the European negotiation. It is not that things

E.R.

are not going broadly to plan: they are: but that the strategy of the second phase, leading as it does into the third, needs to be centrally analysed and considered and not just allowed to develop.

I am therefore preparing for the Prime Minister a "strategic survey" which follows on from the one I submitted on July 2nd. It will, for maximum brevity and clarity, be based on two Annexes in tabular form - one on where we have got to, and one looking forward to July 1971 in three phases - broadly - to end-1970; January-March 1971; and April-July 1971. The two Annexes will be covered by a note identifying and analysing the major strategic issues and their consequential, and relating them to major policy trends and events in other fields. I am aiming to submit this in time for the Prime Minister to consider it after his return from New York. This is for several reasons both as early and as late as it can reasonably be submitted.

You may therefore wish to let the Prime Minister see this minute and if he agrees, to reserve a time after the New York visit for a discussion on European policy. Sir Burke Trend agrees that such a discussion is necessary, and indeed should be delayed as little as possible beyond the Prime Minister's return from New York. As that too will be a busy time with Parliament resuming, it might be prudent to reserve a time for it now.



W.A.NIELD

R
16 October 1970

done.

3.30pm on
Wed 28/10.

file

SIR WILLIAM NIELD
CABINET OFFICE

The Prime Minister has asked me to
thank you very much for your note of
September 17, reference Y0399, and for
the document attached.

RUK

September 24, 1970.

* Deleted and retained under Section 3 (4)

Algreen.

E.R.

Ref Y0410

TOP SECRET

Cabinet Office

9B

In Armstrong

12/7

The Prime Minister might like to see the attached report, re the Germans' view of our EEC cost estimates.

We now know that the French, German and Dutch (and Commission) experts all think:

- i that our estimates of the cost to us in 1978 are, broadly, right enough;
- ii that the only major issue is how big the Community Budget will be then (see ^{must} attached)
- iii that nevertheless they must not say so in public because this would undermine the Community's negotiating position.

This note is sent for information only; because the financing estimates are ^{at} the core of the negotiation. We are of course considering intensively how to play this key hand, now we know that any challenge to our estimates can only be, broadly, marginal and tactical.

12/10



B.F. 22/9/70.

10 Downing Street
Whitehall

Sir William Nield,
Cabinet Office.

Thank you very much for your letter of September 16 reference Y0397. The Prime Minister was exceedingly interested in the annex to it. We had some discussion on what was meant "from the purely tactical point of view" in paragraph 3. I wonder if you have any comments on this.

RTA

September 16, 1970

CONFIDENTIAL

August 11, 1970

The Chancellor of the Duchy of Lancaster saw the Prime Minister this afternoon, Tuesday, August 11, to discuss his proposed visit to Hong Kong, Australia, New Zealand and Mexico.

The Chancellor explained the background which had determined the allocation of time as between the three working visits and the Prime Minister agreed the programme as proposed. He thought, however, that the Chancellor would need to be ready to deal with criticism by the Australian press about the visit to Australia being so short.

On the handling of discussions during the visits, the Prime Minister and the Chancellor agreed that it was important to avoid getting into detailed argument on substance and give commitment to issues commitments at the end of the discussions. The purpose of the visit should be regarded as an opportunity for the Chancellor to see things for himself and for an exchange of views. The New Zealanders in particular were likely to try to tie the Chancellor down to accepting not only that New Zealand was a special problem but that it should be treated in a particular way and it would be necessary to guard against this. The Prime Minister suggested that the Chancellor might look at statements he had made a year ago in Auckland and Wellington (I will ask the Conservative Central Office to produce these).

/In further

CONFIDENTIAL

Top copy on Minister's Absences August 1970

~~Copy on European Policy June 1970~~

Copy on CPM4 June 1970

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In further general discussion of strategy for the Europe negotiations, the Chancellor raised the question of whether he should plan to attend the Commonwealth Prime Ministers' meeting in January or whether he should plan to visit the Caribbean sugar producers at that time. The Prime Minister thought that it would probably be better not to encourage detailed discussion of Europe at the Prime Ministers' meeting and the best course might be to leave the subject to be dealt with by the Foreign and Commonwealth Secretary under the general agenda heading of foreign affairs. There was also the problem of limitation of numbers of Ministers attending the Prime Ministers' meeting.

In the course of the meeting, the Chancellor showed to the Prime Minister a draft of a letter which he was proposing to send to Mr. McEwen. The Prime Minister suggested a small amendment to this letter to a sentence reading along the lines: "we cannot predict what will happen after our entry into the Communities..." in order to make it conditional, i.e. "we cannot predict what would happen if our application is successful...".

I am sending a copy of this letter to Mr. Nicholas Harrington.

Signed (P.J.S. Moon)

C.C.R. Pattiscombe, Esq.,
Foreign and Commonwealth Office.

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European Policy

NOTE OF A MEETING

Mr. Robert Stanfield, the Leader of the Opposition in the Canadian Parliament, called on the Prime Minister at 3.00 p.m. on Monday, July 27, 1970. Mr. Gregson was also present.

Mr. Stanfield referred to his recent visit to Brussels where he ^{had} found a tendency to think that Britain's entry into the Common Market would involve no particular difficulty for Canada. There was an impression both in Brussels and in London that the natural course of events was for Britain to integrate with the Six and for Canada to integrate with the United States of America. He hoped that it would not be taken for granted that this was the solution for Canada. Many people in Canada saw an analogy between the E.E.C. negotiations and the current controversy over the supply of arms to South Africa. In both cases it seemed that the British Government was prepared to run some risks so far as the Commonwealth was concerned in order to do things deemed to be in Britain's interests. He recognised that Canadians were apt to talk about the value of the Commonwealth without backing their words with action. He felt however that the Commonwealth was a valuable institution and hoped that it could be kept alive.

The Prime Minister said that he did not think that there was any general assumption that Canada's future was to integrate with the United States. It was because many people

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/in Britain

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- 2 -

in Britain realised that the only wholly satisfactory partnership for a country was with countries of equal size and resources that they favoured a partnership between Britain and the countries of Western Europe. The difficulties involved in a relationship between countries so unequal as Canada and the United States were clearly understood. He did not think that Britain's entry into the E.E.C. would have serious economic consequences for Canada. There would still be a need for Canadian hard wheat and, on industrial goods, there might be adjustment over a transitional period. At present it seemed that Canada's own inclination was to turn away from Europe rather than to move closer to it.

On Britain's attitude to the Commonwealth generally, the Prime Minister said that Britain merely sought the same degree of independence as the other members enjoyed. Britain did not interfere with the policies of other members of the Commonwealth of which she did not approve - for example, the Chinese involvement in Tanzania. The majority of people in Britain found it hard to accept the criticisms levelled by Commonwealth members at some of our policies, for example, on immigration, when the record of these countries left so much to be desired. Even Canada had adopted more restrictive immigration policies recently. If African countries were to leave the Commonwealth as a result of the Government's policy on arms for South Africa, he feared that there was a real danger of an explosion of opinion in this country against

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- 3 -

Black Africa.

Mr. Stanfield said that he accepted that it was for Britain to decide her own policy and he recognised the strength of this argument. Nevertheless Britain was regarded as being in a different position from other members of the Commonwealth. He wondered if there was not more to be lost than to be gained by supplying arms to South Africa.

The Prime Minister said that Britain was not in fact in a different position. There was now an independent Commonwealth Secretariat which served all members of the Commonwealth equally. He felt that the Commonwealth could only continue to exist as an institution if the members respected each other's interests. He felt that Canada could help in being an influence towards common sense. He hoped that Britain would continue to do all she could to help the Commonwealth but it was difficult to get people to accept, particularly against the background of our economic problems, that we should continue to provide aid amounting to some £200 million a year at a time when the recipients were judging us by double standards in the United Nations and elsewhere.

Top Copy to: Canada
June 1970.

PLS

July 27, 1970

CONFIDENTIAL

Original on P.M., July 1970 ^{9A}

SECRET AND PERSONAL

NOTE FOR THE RECORD

EXTRACT

Mr. John Freeman, the British Ambassador in Washington, came to see the Prime Minister on Thursday, July 23 at 6 p.m.

On Europe, the Administration's attitude on the enlargement of the European Economic Community remained essentially unchanged. It was probably over European questions that there was the greatest danger of friction between the United States Government and the British Government over the coming years: it was almost inevitable that we should ruffle the feathers of the United States in the course of our negotiations for entering Europe, particularly if these widened to cover political and defence subjects as well as economic questions (for example, some agreement with the French on nuclear policy). On the other hand, it could well be that American decisions about their force levels in Europe would be unpalatable to us.

The Prime Minister commented that he expected that negotiations with the EEC would reach a critical turn during the course of 1971, probably not before the early summer. At that point he thought that the British Government would have a major decision to take: whether to break the negotiations off, or to carry them through at whatever price it might have been possible to extract from the Europeans on the purely EEC questions, or to widen the area of negotiation in the hope of getting a more favourable overall political settlement. If affairs went in the direction of the third of these alternatives, large United States interests would be involved and we should need the good-will of the American Government.

Cabinet: Oversea AffairsCommon Market Negotiations - Meeting with the Six
on 21 July

The Chancellor of the Duchy will be ready to report orally to Cabinet under this item on the work which the Ministerial Committee on the Approach to Europe (AE) has been doing in preparation for the Ministerial meeting with the Six which he is to attend in Brussels on 21 July.

2. The AE Committee have given preliminary consideration to the negotiating briefs which officials have prepared on the main issues to be covered in the negotiations. They have not attempted to reach final conclusions at this stage on what our detailed negotiating objectives should be. In accordance with Cabinet's decision on 25 June they have decided that on 21 July the Chancellor of the Duchy should propose to the Six that working groups of officials should be set up to begin the factual examination of the following seven problems:

- (a) The Communities' budgetary arrangements and the consequences of the Common Agricultural Policy for agriculture and food in an enlarged Community.
- (b) The consequences of enlargement of the Communities for the Community, for Britain and for New Zealand in the dairy products sector.
- (c) The consequences of enlargement of the Communities for the Community, Britain and the Commonwealth producers in the sugar sector.
- (d) The Common External Tariff.
- (e) ECSC.
- (f) Euratom.
- (g) The preparation of legally valid translations of the Community Treaties and decisions taken under them.

3. Reports from our Ambassadors in Community countries have, however, indicated that the Six may prove reluctant to agree on 21 July that factual studies should be set in hand on this scale. They appear not to have appreciated that paragraphs 12 and 13 of the Chancellor of the Duchy's statement on 30 June did accept the Treaties and the decisions made under them, and did indeed state the points on which we wish to

negotiate: and they appear to be still suspicious that working groups would be our means of involving the Six in negotiation for which they are not ready or, alternatively, fact finding exercises which the Six would leave to the Commission. The only work therefore which the Six appear to envisage being done by officials before the next Ministerial meeting in October is the preparation of a definitive list of issues to be negotiated.

4. We have made clear to the Six our view that an effective start should be made at once in establishing the facts on key issues in the negotiations; but the AE Committee recognised that the Chancellor of the Duchy must be given discretion in the light of the attitude adopted by the Six on 21 July to settle for the most satisfactory arrangements possible for the early progress of the negotiations, provided that no new commitments were made relating to our negotiating position or objectives.

5. Thus, whatever the outcome on 21 July, there is no question of our revealing our full negotiating objectives to the Six before October. This will enable the AE Committee to give further consideration to our objectives during the next two months and for Cabinet to consider them also before substantive negotiations begin.

John Lewis

15th July, 1970

RTA 13
B. R.
TOP SECRET

European Policy
cc. Sir B. Trend
Done
4/10/70 7

APPROACH TO EUROPE

Note of a meeting at No. 10 Downing Street
on Wednesday, July 15, 1970 at 5.15 p.m.

Present: Prime Minister
Sir B. Trend
Sir W. Nield
Mr. Armstrong

Sir Burke Trend said that the Chancellor of the Duchy of Lancaster would be reporting on the present state of play at the following day's Cabinet. It was proposed that a series of working parties should be set up with the Six, to establish the factual bases on which negotiations could start in October. For this stage in the approach to Europe our briefing was detailed and well thought out, and the Prime Minister need not involve himself closely. He would, however, need to satisfy himself that tensions within Whitehall were kept to a minimum; and he would need to be ready to intervene if and when political intervention at a high level was required. In the Autumn there could well be need for new machinery to start work on the analysis of some of the problems that might at that stage arise.

Sir William Nield said that the Six were likely to seek to have the whole question of harmonisation in the monetary field studied in the Monetary Committee plus the United Kingdom, membership of which corresponded to Working Party Three and the Group of Ten, without

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the Americans, the Canadians and the Japanese. The Six themselves had been studying some of these problems in the Werner Committee. Differences of attitude were already beginning to emerge: the Germans and the Dutch wanted to see the institution of a supra-national central bank, whereas the French were inclined to go for the minimum amount of institutional machinery needed to secure harmonisation of policies. The Germans and the Dutch were anxious to move very slowly on monetary harmonisation, postponing that until after agreement had been reached on economic harmonisation. The French were anxious to make progress in the monetary field before the economic field. The compromise reached was for "effective parallelism".

The whole range of the implications of monetary and economic harmonisation for the United Kingdom would need to be closely studied before the point was reached of a crunch in negotiations at a high political level. It was not possible to fit this sort of consideration into the existing machinery. Similar considerations applied to other subjects as well: for example, defence, military and civil nuclear policy, federation or confederation, and external political co-ordination. Ministers might also want to consider whether work should be put in hand on the problems that would need to be considered and dealt with if we did not get into the Common Market. The study of these issues would have to be undertaken in some central capacity, lifted out of inter-departmental

disagreements on less important issues.

The Prime Minister agreed that there would be a range of issues in any high level political negotiation, on which Ministers would need to be fully and carefully briefed. It would also be desirable to do some analysis of the possible political balance in any European Parliament. It was doubtful whether it would be wise at this stage to initiate any consideration of the problems that would arise if we did not get into the Common Market, not only for fear of leaks and consequent effects on public opinion, but also because of effects within Whitehall.

After some general discussion, the Prime Minister concluded the meeting by asking Sir Burke Trend to consider what machinery might be organised to meet the need to which attention had now been drawn, and to make proposals so that that machinery should be brought into operation in the Autumn.

RGW

July 15, 1970

CONFIDENTIAL

TELEGRAM

FCO TO BONN
NO. 500
July 25, 1970.

Addressed to BONN, PARIS, ROME, THE HAGUE, BRUSSELS, LUXEMBOURG
and repeated to UKDEL EEC BRUSSELS.

Please urgently pass the following personal message
from Mr. Barber to the Foreign Minister of the Government
to which you are accredited.

"You may by now have heard that I have been appointed
Chancellor of the Exchequer following the sudden death of
Iain Macleod. I need hardly describe my feelings at
being asked to fill one of the highest offices of State in
such sad circumstances. But I should like you to know
that I am conscious not only of the heavy new responsibilities
which I shall have to bear but also of my great regret that
I shall no longer be the Minister responsible for the
negotiations for Britain's entry into the European Community.
In leading the British Delegation at our meetings on June 30
and July 21, I came to understand and share your sense of
European purpose, and felt the warmth of new friendship.
Let me assure you that I shall take my enthusiasm with me to
my new post and continue to work for the cause of an enlarged
Community and a unified Europe.

It remains for me to thank you for all the help and
understanding you gave to a newcomer to European Affairs and
to hope that you will show the same goodwill to my
successor. If this is a happy day for me in some ways
it is a very sad one for me in others."

CONFIDENTIAL

TELEGRAM

FCO TO UKDEL BRUSSELS

NO. 101

July 25, 1970.

Please urgently pass the following personal message from Mr. Barber to the President of the European Commission.

"You may by now have heard that I have been appointed Chancellor of the Exchequer following the sudden death of Iain Macleod. I need hardly describe my feelings at being asked to fill one of the highest offices of State in such sad circumstances. But I should like you to know that I am conscious not only of the heavy new responsibilities which I shall have to bear but also of my great regret that I shall no longer be the Minister responsible for the negotiations for Britain's entry into the European Community.

I am afraid that the close working relationship to which you and I, as two newcomers, looked forward over lunch on July 21 is not to be realised. I am obliged to leave that pleasure and responsibility to my successor. But let me assure you that I shall take my enthusiasm with me to my new post and continue to work for the cause of an enlarged community and a unified Europe. It remains for me to thank you and your colleagues for all the help and understanding you gave me and hope that you will show the same goodwill to my successor. If this is a happy day for me in some ways it is a very sad one for me in others."

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AA 26/ vi

PRIME MINISTER

Mr. Barber would like you to see
the attached telegrams.

JEAN BROWN
25/7

JB

Britain's part in the European search for unity

By Edward Heath

Three years ago the Prime Minister, then Leader of the Opposition, delivered the Godkin Lectures at Harvard University on the theme of Europe's search for unity and Britain's attitude towards the Common Market. The lectures are to be published here by the Oxford University Press on Thursday with the title of "Old World, New Horizons" (price 10s.), together with an introduction specially written for the book. It is from this hitherto unpublished section that these extracts are taken.

Much has happened since March, 1967, but insofar as they concern Europe, events have in a curious way brought us full circle. Now, as in 1967, we in Europe are in the middle of a lively debate about our future. This debate has two main facets. It is partly a debate throughout our continent on the meaning and content of the search for European unity. It is partly a debate within Britain on the likelihood and wisdom of Britain's entry into the E.E.C. and on the effect which such entry would have upon our future prosperity, security, and national identity. The previous debate in 1967 fizzled out without making much advance. The second British attempt to enter the E.E.C. failed even before negotiations began.

The E.E.C. itself, while completing the tariff union and working hard to consolidate a common agricultural policy, has not yet advanced far beyond these bounds to establish an economic union or to lay foundations for harmonizing foreign and defence policies. The question now is whether the current debate will be equally unproductive or whether it will eventually recreate the momentum which Europe so badly needs.

The attempt of 1967 had two consequences in Britain, one positive, the other negative. The positive result was that for the first time the Labour Party became committed to British membership of the E.E.C. with its implications for the future unity of Europe. As a result the House of Commons in May 1967 approved this policy by an overwhelming majority in which the leadership of all three parties participated.

The negative result was that the second failure began to sour British opinion towards the whole enterprise. It was natural that many people should begin to be less interested in a Community which had twice rebuffed them. This disinterest was increased by the apparent stagnation of the Community itself, which began to lose some of the glamour earned by its previous achievements.

This situation continued more or less unchanged through 1968 and the first part of 1969. Nevertheless during this time events of the highest importance to Europe made it clear that the underlying need for European unity was becoming more pressing.

One of these events was the Soviet invasion of Czechoslovakia. This

question of the future defence of Europe. For this reason I have urged that the British Government should be ready to discuss such ideas with the French and other European Governments. I have been encouraged to find that the same proposal or variations of it have recently begun to find favour among influential opinion on both sides of the English Channel.

The other main pressure on Europe since 1967 has been in the monetary field. Sterling was devalued eight months after I delivered my lectures. It is still too early to pass a final verdict on the success of devaluation in righting the British balance of payments more than temporarily. Certainly its effects have been more complicated and slow-acting than most of its proponents then predicted. The devaluation of sterling gave a shock to the sterling system and so sharpened the problem of the sterling balances which I dealt with in the second of my lectures. The Basle Agreement of 1968 represented an international attempt to bring under control a situation which the British Government no longer had the resources to handle. In this arrangement the other countries of Europe played a major part. Britain would have gained considerable political as well as financial benefit if she had agreed to discuss such arrangements in 1967, as I suggested in my lecture.

INTENSE PRESSURES

At the same time a wider uncertainty persists in monetary matters as a result of the increase in Britain's indebtedness, the continued deficit of the United States, the devaluation of the franc, and the tendency of Germany to run a trading surplus. This uncertainty goes wider than Europe and raises the whole question of whether the world's main trading countries can find a more satisfactory source of international liquidity than a persistent American deficit creating an unregulated flow of dollars to Europe through the Euro-dollar market.

This is not the occasion to set out tactics which I think the British Government ought to follow. This must be seen as a great enterprise demanding far-sightedness and patience. A third failure might have a very serious effect.

The need for careful preparation in advance of any formal negotia-

1971. It is clear that the decision was taken in a hurry without any serious assessment of its effect in these areas. It brought to a head a debate which had been carried on for some years about the role of Britain overseas. In some ways this debate ran parallel to a similar debate which has been conducted in the United States.

In both these countries this debate poses the basic question to what extent, if at all, Britain and the United States or indeed the other countries of the West should be called upon to help maintain a framework of basic stability in the world within which change can be peacefully achieved. It may be true that in the past British and American Governments have assumed almost automatically a readiness to come to the help of friends in distress. There have been occasions since World War II when efforts of this kind have been ill-conceived and unsuccessful. But I am certain that it would be quite wrong to deduce from these experiences that it will never be in our interest to make such efforts again.

Of course it would be greatly preferable if this essential framework of stability could be achieved by the United Nations. Failing that, it is certainly desirable that the countries of each region should achieve among themselves the necessary balance within which they can develop their own societies in their own way. But we must recognize that in the world as we see it today, neither of these conditions obtains.

There will be occasions in the future, as in the past, when friendly countries will ask Britain or the United States to help them to cope with an external threat to their stability. Such appeals will always confront our Governments with a difficult choice. I believe that it would be as stupid to assume that such appeals should always be rejected as to assume that they should always be acted upon. The decision should depend in each case on the political context.

It happens that British forces have in the past operated in the Gulf and in Singapore/Malaysia in a way which has proved politically acceptable in the area. The political context has been right and Britain has been able, without antagonizing the citizens of these countries, to help their governments cope with external threats which would otherwise have

Labour Party became committed to British membership of the E.E.C. with its implications for the future unity of Europe. As a result the House of Commons in May 1967 approved this policy by an overwhelming majority in which the leadership of all three parties participated.

The negative result was that the second failure began to sour British opinion towards the whole enterprise. It was natural that many people should begin to be less interested in a Community which had twice rebuffed them. This disinterest was increased by the apparent stagnation of the Community itself, which began to lose some of the glamour earned by its previous achievements.

This situation continued more or less unchanged through 1968 and the first part of 1969. Nevertheless during this time events of the highest importance to Europe made it clear that the underlying need for European unity was becoming more pressing.

One of these events was the Soviet invasion of Czechoslovakia. This showed that the Soviet Union was still prepared to use force to defend interests which could only be defined as essential by a brutal use of logic. It was noticeable that the Soviet invasion produced a stronger reaction in Western Europe than in the United States. It coincided with, and only briefly arrested, a growing reluctance of the United States to continue carrying so heavy a weight of responsibility for the defence of her allies.

EUROPE'S DEFENCE

The harrowing experience of the United States in Vietnam has inevitably affected the American attitude towards the defence of Europe. At a time when Soviet action has made it clear to all except the blindest that European defence cannot safely be neglected, the inevitable conclusion is that the countries of Europe must learn to do more to protect themselves.

In my Godkin Lectures I was led by this train of thought to propose that the British and French nuclear forces should be pooled to form a joint deterrent which would be held in trust for Europe. I later suggested that this could be achieved by setting up a European Group which would be given in relation to the joint Anglo-French force the same functions as the so-called McNamara Committee in the North Atlantic Treaty Organisation exercises towards the United States nuclear deterrent today. This arrangement would not involve a breach of the non-proliferation treaty since it would not involve giving control over nuclear weapons to non-nuclear powers. So, far from involving a break with the United States or Nato, this proposal could provide a means for healing the breach which at present exists between France and her Nato allies.

I have never argued that this proposal is in some way a condition of British membership of the E.E.C. I believe, however, that it would provide part of the answer to the wider

question of the balance of payments suggested in my lecture.

INTENSE PRESSURES

At the same time a wider uncertainty persists in monetary matters as a result of the increase in Britain's indebtedness, the continued deficit of the United States, the devaluation of the franc, and the tendency of Germany to run a trading surplus. This uncertainty goes wider than Europe and raises the whole question of whether the world's main trading countries can find a more satisfactory source of international liquidity than a persistent American deficit creating an unregulated flow of dollars to Europe through the Euro-dollar market.

This is not the occasion to set out tactics which I think the British Government ought to follow. This must be seen as a great enterprise demanding farsightedness and patience. A third failure might have a very serious effect.

The need for careful preparation in advance of any formal negotiations is even more obvious than it was in 1967. So is the importance of extending these preparations to cover subjects which do not fall immediately within the scope of the Treaty of Rome. It is precisely in these fields, for example in defence and monetary matters, that the recent pressures on Europe have been most intense.

At the same time there is the need, both in Britain and on the Continent, to recover in public opinion the ground which has admittedly been lost during the years of stagnation. This can only be done by setting out the prospects honestly and showing that when we talk about the unity of Europe we mean not a vague concept, but the habit of working together to reach accepted goals. This habit of working together is the essence of a Community; it is the only foundation on which the unity of Europe can be built.

In the last of my lectures I described the stance which I thought Europe should take towards the world outside. I have always believed that it was wide of the mark to criticize the movement towards European Unity on the grounds that it was encouraging Europe to look inwards on itself. To me one of the main justifications of this movement has been that it would equip Europe to play a more worthwhile part in the outside world. As the countries of Europe availed themselves of the benefits of cooperation they would be able to make a more effective contribution not only to the prosperity of the countries of Asia and Africa and Latin America but also to the political stability without which prosperity is an illusion.

So far as Britain is concerned there has been a setback since I lectured at Harvard. In January 1968, the British Government decided that regardless of its commitments or the turn of political events, it would withdraw all British forces from the Arabian Gulf and from Singapore/Malaysia by the end of

themselves, and necessary balance within which they can develop their own societies in their own way. But we must recognize that in the world as we see it today, neither of these conditions obtains.

There will be occasions in the future, as in the past, when friendly countries will ask Britain or the United States to help them to cope with an external threat to their stability. Such appeals will always confront our Governments with a difficult choice. I believe that it would be as stupid to assume that such appeals should always be rejected as to assume that they should always be acted upon. The decision should depend in each case on the political context.

It happens that British forces have in the past operated in the Gulf and in Singapore/Malaysia in a way which has proved politically acceptable in the area. The political context has been right and Britain has been able, without antagonizing the citizens of these countries, to help their governments cope with external threats which would otherwise have made nonsense of any hope of peaceful progress. In my judgment this is a limited effort which Britain could and should maintain in co-operation with our friends.

I would fully endorse the conclusion which President Nixon reached when he told the people of Thailand: "Our determination to honour our commitments is fully consistent with our conviction that the nations of Asia can and must increasingly shoulder the responsibility for achieving peace and progress in the area. The challenge to our wisdom is to support the Asian countries' efforts to defend and develop themselves, without attempting to take from them the responsibilities which should be theirs. For if domination by the aggressor can destroy the freedom of a nation, too much dependence on a protector can eventually erode its dignity."

OUTWARD-LOOKING

Of course, as I tried to make clear in my third lecture, this British argument is only part of a wider picture. It is natural that, in the immediate aftermath of empire, the countries of continental Europe should be reluctant once again to expose themselves to rebuffs overseas. It is natural that while Europe is still half-made the problems of Europe should loom largest in their consciousness. But in the long run Europe will either be outward-looking or it will be nothing. The interests of Europe overseas are already so great that they are bound to have an effect on the course of European policies. The countries of Europe have been inclined to take it for granted that the United States, and in particular areas Britain and France, will provide the essential framework of stability within which their affairs can prosper. We are now, I believe, not far from the point where it will be obvious that those who expect to benefit from this stability must be prepared to make a contribution to its continuance.

P.A.



M.

13/7

Prime Minister,

I think you may
like to see this
(AE(70)18)
interesting paper by
the Chancellor of the
Exchequer setting out his
views on tactics in
the Europe negotiations
for consideration by
Ministers in the
Europe Ctee.

M.

19/7

CONFIDENTIAL



Foreign and Commonwealth Office

London S.W.1

P.A.
M.
13/7

9 July, 1970.

Prime Minister

M.

Dear Sir,

10/7

NFA
KZ

In your letter of 25 June you asked for a reply to the Prime Minister's enquiry about the costs of the 1961-63 European negotiations. I am sorry it has taken so long to reply, but we have had to look up some old files to confirm our own recollection of the position. It is as follows.

No firm arrangement was ever made with the Six about the payment of the British share of the cost of the Brussels Conference. It was envisaged - though no firm arrangement was made - that if the negotiations were successful we should contribute on the same basis as France, Germany and Italy, and that if the negotiations failed we might be asked to pay half of the total cost. The fact is that the 1961-63 negotiations were never formally broken off but only suspended. So that neither of the two possible bases for calculating our share was ever applicable. No request for a British contribution has ever been made.

Against this background, we do not think that it would be useful to try to settle this question now, but better to wait until the present negotiations are concluded; we should then no doubt be sent a consolidated bill for the two sets of negotiations.

Yours ever

Richard

P. J. S. Moon, Esq.,
10 Downing Street.

CONFIDENTIAL

6A

MR ARMSTRONG

EUROPE

1. Your minute of 6 July asked me to put forward proposals to remedy defects in our organisation for providing co-ordination and forethought on European policy. It is not easy to do this since European policy is not so much a subject on its own as one aspect of policy in many other fields. This minute is therefore necessarily confined to requirements arising from the conduct of policy on European affairs only.
2. From that angle, the fields of policy which may need to be covered will be economic (including financial, fiscal, monetary, agricultural, industrial, and commercial), internal political (including constitutional and legislative problems for all parts of the United Kingdom and the Island authorities), external political and defence (where Community membership has implications, discussions on the periphery of the negotiations may be involved), and scientific and technological policy (notably European co-operation in Space, the seven "Aigrain" technological projects, major projects like the centrifuge, BAC 311/Airbus, Concorde, nuclear reactors, computers, etc. which both individually and collectively may affect the negotiations themselves).
3. At one time or another therefore the work of the Ministerial Committee on the Approach to Europe (AE) will overlap with the work of other Cabinet Committees notably those on Economic Strategy (ES), Economic Policy (EPC), Defence and Oversea Policy (DOP), scientific policy, nuclear policy, and in some instances with those on Home Affairs, Immigration, Legislation and so on. At Ministerial level, however, I see no major problem because, in addition to the Cabinet itself, the Economic Strategy Committee and the Defence and Oversea Policy Committee, with the Prime Minister in the chair, provide means of central co-ordination wherever the subject overlap between the other standing Cabinet Committees might present problems.
4. At official level, however, functional overlaps in the inter-departmental arrangements cannot be so easy to resolve as the negotiations grow in pace and intensity. At present all the

E.R.

Following bodies have or will have a major concern in issues arising in or on the margin of the negotiations (other bodies may be involved from time to time):-

BODY	CHAIRMANSHIP	MEMBERSHIP	SECRETARIAT
Brussels Team	Sir C O'Neill	up to Dep Sec	FCO
Official Committee on the Approach to Europe (AEO)	Sir W Nield	up to Dep Sec	Cab Office
Economic Policy Committee (EPCO)	Sir D Allen	PUS's	Cab Office
Defence and Oversea Policy Committee (DOPO)	Sir B Trend	PUS's	Cab Office/ MOD
Science and Technology Committee (STCO ?)	Sir S Zuckerman	up to Dep Sec	Cab Office

"Monetary Team" - will be needed when monetary "discussions" start: leadership and composition presumably largely Treasury, but will need to be meshed in with the above bodies.

5. A great part of the work arising from the Brussels negotiations (especially on the traditional subjects) can probably be dealt with, ie prepared for Ministers or disposed of in accordance with Ministerial instructions, at or up to Deputy Secretary level. Where issues arise which cannot be dealt with at that level, ie those involving very high policy and/or a wide spread or difference of departmental interests, the Permanent Secretaries who would then be concerned could be brought together only by the Secretary of the Cabinet. This could be done ad hoc or in a steering committee to deal with key issues, and perhaps to keep the whole negotiation under periodic review.

6. Whatever arrangements are made for bringing together the views of these various bodies, there will clearly be a requirement for some full or part-time staff to run or service the arrangements.

Here the role of the Cabinet Secretariat is clearly a key one, because it is the only body in immediate and direct touch with the whole range of interdepartmental affairs, and can where appropriate lead and/or service interdepartmental groups in addition to the role as Committee Secretariat. For example, it is convenient, especially as most of the work arising from the negotiations is on the economic side, that the Deputy Secretary responsible under the Secretary of the Cabinet for the economic secretariat of the Cabinet and Cabinet Committees (Mr Thornton) is also the Chairman of the interdepartmental Working Group on Europe which prepares the papers for the Official and so largely for the Ministerial Committee on Europe.

7. As the negotiations develop and work on them increases it may well be necessary to strengthen somewhat the Cabinet Office staff performing this dual role. Thus Mr Thornton at present has one Under Secretary and two Assistant Secretaries on the economic secretariat, and one Assistant Secretary on European affairs: it would be prudent to be ready to reinforce the European side quickly with whatever the work demands - initially say, with another Assistant Secretary. It is difficult at this stage to say exactly how much reinforcement would be necessary and at what level: but it is important to be ready to make the reinforcement quickly if events so require.

8. It would also be desirable to place at Mr Thornton's disposal a good econometrician/statistician in the Central Statistical Office: at present he is wholly dependent on departmental services for work of this type. Moreover, to the extent that some forethought is considered desirable on particular subjects, eg in the fields indicated in my minute of 2 July, it might be convenient if Mr Thornton was authorised to draw on the services of the Joint Assessments staff, possibly with a marginal reinforcement there if necessary.

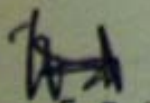
9. Arrangements on these lines would not require more than one or two additional staff at administrative level. These would not be net additions to staff. The foregoing analysis demonstrates that, in the new stage of negotiation, there is no need for a Permanent Secretary on European affairs in the

E.R.

Cabinet Office. Such a post is:-

- a. too high to take the Working Group;
- b. not necessary to chair AEO (which from 1961-63 until October 1969 was chaired at Deputy Secretary level);
- c. not high enough to co-ordinate on crucial issues in the negotiations (see paragraph 5);
- d. not part of the Cabinet Secretariat and
- e. difficult to relate to the Brussels team.

Now that the basic work of preparing negotiating strategy and briefs has been completed, this post is no longer necessary, and the savings from its abolition would go far to cover the necessary reinforcements envisaged above. The present machinery should prove adequate until after the 21 July meeting with the Community, ie allowing for the summer holiday, until well into September. The changes proposed need not therefore be made before then: but they are likely to become increasingly necessary thereafter.



W A NIELD

7 July 1970

European Policy
6

B.F. 13/7/70
~~SECRET~~

5

SIR WILLIAM NIELD
CABINET OFFICE

The Prime Minister has seen your minute of July 2 to Mr. Isserlis about Europe.

He agrees with the analysis in the minute and would be grateful if you would, in consultation with Sir Burke Trend, put forward proposals to remedy the defects to which you have drawn attention at an early date. At that stage he will want to discuss them with you and Trend.

If you wanted to have a word before putting anything in writing, he would be very ready to do so; but it might be that discussion would be best focused round at least an outline of specific proposals.

I am sending a copy of this to Sir Burke Trend.

(SGD) R.T. ARMSTRONG

July 6, 1970

~~SECRET~~

Handwritten signature

5

E.R.

*Try to get the analysis
 in the form of a memo by
 the Prime Minister
 MR ISSERLIS
 EUROPE
 AA 41
 The Prime Minister
 You may wish to discuss with Nield. The most
 important point, perhaps, is to consider whether we
 are equipped to think beyond the current "four-shop"
 stage, to the problems and possibilities of political and social
 harmonisation - and the adjustments they call for. On this, the
 views of individual Dept. are not enough.
 The Prime Minister may like to consider the three following basic
 points and their implications before the torrent of current events
 in and on the periphery of the European negotiations begins to
 rise to flood levels. This minute is long: but basic.
 2. First, the issues in the European negotiations will have a
 size, scope, and complexity which will make it difficult for any
 Government to pursue a deliberate course which is consistent in
 all points. Major questions can already be seen under each of
 the following policy heads - financial (Community financing),
 fiscal (VAT), monetary (harmonisation), agricultural, industrial,
 technological, commercial (Community development of common policies
 on those subjects), political, defence and even social affairs.
 Moreover, many of these subjects overlap and interlink with
 each other: and our European line on them links with domestic
 policy, eg the basic requirement to get a new dynamic into the
 British economy closely links domestic economic policy with
 European policy, since the latter can make or break any such
 dynamic. Some co-ordination will clearly be essential.
 3. Second, the European negotiations will not foreseeably be
 completed in less than 12 to 18 months, and they could (undesirably)
 take two years or more. The number and character of the issues at
 stake and the ponderous slowness of the Community machine together
 make any other conclusion improbable. During that period of
 up to two years, neither the UK, nor the Community, nor the world
 will stand still: in that sense the negotiations need to build
 up a more rapid momentum than events which may influence them.
 But momentum without direction is dangerous, and forethought
 and foresight as to the right direction will be at a premium:
 and this need for forethought clearly links with the need for
 co-ordination.
 4. Third, even if our conduct of the negotiations is both
 impeccable and successful, it will be in vain if public opinion
 in the UK is no better prepared for our accession than it is
 now. A large part of the public presently associates the words*

MR ISSERLIS
EUROPE
AA 41

The Prime Minister

You may wish to discuss with Nield. The most important point, perhaps, is to consider whether we are equipped to think beyond the current "four-shop" stage, to the problems and possibilities of political and social harmonisation - and the adjustments they call for. On this, the views of individual Dept. are not enough.

The Prime Minister may like to consider the three following basic points and their implications before the torrent of current events in and on the periphery of the European negotiations begins to rise to flood levels. This minute is long: but basic.

2. First, the issues in the European negotiations will have a size, scope, and complexity which will make it difficult for any Government to pursue a deliberate course which is consistent in all points. Major questions can already be seen under each of the following policy heads - financial (Community financing), fiscal (VAT), monetary (harmonisation), agricultural, industrial, technological, commercial (Community development of common policies on those subjects), political, defence and even social affairs. Moreover, many of these subjects overlap and interlink with each other: and our European line on them links with domestic policy, eg the basic requirement to get a new dynamic into the British economy closely links domestic economic policy with European policy, since the latter can make or break any such dynamic. Some co-ordination will clearly be essential.

3. Second, the European negotiations will not foreseeably be completed in less than 12 to 18 months, and they could (undesirably) take two years or more. The number and character of the issues at stake and the ponderous slowness of the Community machine together make any other conclusion improbable. During that period of up to two years, neither the UK, nor the Community, nor the world will stand still: in that sense the negotiations need to build up a more rapid momentum than events which may influence them. But momentum without direction is dangerous, and forethought and foresight as to the right direction will be at a premium: and this need for forethought clearly links with the need for co-ordination.

4. Third, even if our conduct of the negotiations is both impeccable and successful, it will be in vain if public opinion in the UK is no better prepared for our accession than it is now. A large part of the public presently associates the words

"common market" with higher food prices, and so far as reactions go further, with heavy British payments across the exchanges for European agriculture, and beyond that, more nebulously, with loss of sovereignty. The achievement of a more informed public opinion cannot safely be left until the month following the return of our negotiators from Brussels with acceptable terms in 1971 or 1972.

5. The three considerations in the preceding paragraphs are matters of basic fact. From them certain conclusions for policy, for negotiation, and for machinery of government seem to flow. First, as to policy, the achievement of a deliberate and consistent line across this whole field over a period of two years, and beyond that if the negotiations are successful, will depend on the establishment, in advance of events and not in belated response to them, of means of giving forethought to the problems with which both the negotiations and public opinion will present us, and of co-ordinating the Government's responses to those problems. Moreover, the development of European policy will have implications for domestic policy and vice versa. Two clear instances are the economic dynamic referred to in paragraph 2, and more immediately the problem of our line at the European (Ministerial) space conference on July 22-24 where political, economic, and technological factors come together.

6. As to negotiation, we are relatively well prepared on the economic front. A full set of briefs exists setting out comprehensively for each subject the facts, the alternative courses, and the considerations governing the choice of objectives. But two major problems remain unanswered in this field of negotiation. The first is that our forethought and preparation on the political and defence fronts has been far less exhaustively discussed both departmentally and interdepartmentally, and the official papers are little more than a tentative projection of present policies. This is because both these sectors are outside the immediate scope of negotiations for membership; but both sectors may over the next two years prove very important in respect of the attitude of both the British public and of the French Government, let alone the Governments of the other Five.

We ought at least to give some forethought to, for example, the implications of monetary and economic harmonisation for political institutions and sovereignty in the UK and in Europe, since different conclusions on this will have at least implications for the conduct of negotiations and discussions on a number of subjects, even if the development of European political institutions does not get drawn into the negotiations (as it might) as a consequential of developments on other fronts.

7. Similarly, we need more forethought on the implications of membership, and even of negotiations for membership, for defence policy. For example, it is on present form quite likely that during the course of the negotiations, the first moves by the United States to withdraw troops from Europe may be mooted, and even pressed. Since the troops are there both as an assurance of American involvement in European security, and to give time to avoid resort to nuclear weapons, the prospect of American withdrawals will bring European defence questions to the fore in a way unknown since the last war: and France will watch our reactions closely. In the defence field however, our European forethought has not really gone far beyond the conventional doctrines of maintenance of the NATO shield and of separate British and French nuclear deterrents. Forethought here may well take us into the field of co-operation in the peaceful uses of nuclear energy - again a subject of importance to France.

8. The foregoing considerations suggest that it would be prudent to consider soon, ie before negotiations begin to gather momentum in the autumn, the means by which the linked requirements of forethought and co-ordination can be assured in a situation which has changed from a passive state of preparation for negotiation to one of active negotiation over a wide field. Our present machinery of forethought and interdepartmental co-ordination was designed to tackle the briefing process mainly on the economic issues, but not to deal with the faster-moving problems of negotiation nor with wider issues in the political/constitutional or defence fields. Moreover, in the negotiations we shall no doubt have to make tactical shifts on a number of fronts: we may well have to reconsider strategic objectives on these fronts:

and it may prove necessary, in the event of deadlock on such crucial subjects as our contribution to Community financing, and economic and monetary harmonisation, to take, once or twice, initiatives at the highest level. Our present machinery is not wholly adequate for such eventualities.

9. At Ministerial level the Foreign Secretary's Committee (AE) with a membership of nine, and which other Ministers can attend when their subjects are under discussion, has been set up "to supervise the negotiations in connection with our application for membership of the European Communities; and to report as necessary to the Cabinet". The foregoing paragraphs however suggest that it might be convenient, when issues of the highest policy arise (eg on economic harmonisation, or on political and defence developments and background in Europe), especially if they arise suddenly, and also for periodical strategic reviews of the course of negotiations, if the Economic Strategy Committee (ES) were able, from time to time, to consider European developments. This seems appropriate as ES has a small membership covering the economic, political and defence fields, and as economic issues within its remit probably take up the greater part of the negotiations.

10. At official level, as already indicated, our machinery of forethought and co-ordination was designed for the process of briefing rather than negotiation. It consists of three part-time officers in the Cabinet Office - one Permanent Secretary (Chairman of the interdepartmental committee on European affairs but also of the NEDC Co-ordinating Committee), one Deputy Secretary (who doubles the roles of Chairman of the European Working Group and senior economic official in the Cabinet Secretariat), and one Assistant Secretary (European affairs and Secretariat). These three work both in the Official Committee and Working Groups, and in day-to-day liaison with departmental representatives, principally those on the negotiating team, and use departmental resources for preparation of the necessary briefs and papers. The rest of the Official Committee consists mainly of the departmental members of the negotiating team, who will be increasingly pre-occupied with the work of negotiation in Brussels and consultation in their Departments.

11. These arrangements may prove adequate until negotiations resume in earnest in October, but it would clearly be irresponsible to certify that such a small and part-time team in the Cabinet Office will be adequate once negotiations start in earnest, to act as the central unit providing:

- a. the central link between the team in Brussels and the Departments in London;
- b. the central "motor" of the interdepartmental committee and working group in London providing
- c. the necessary service of information and advice for the Ministerial Committee and
- d. briefing for the Prime Minister on European policy and negotiations and related issues.

12. Moreover, these four services a - d above, which are in some measure basic to any scheme of organisation for negotiations on the European scale, may well come under new and additional strain in the negotiations. The Six wish to "discuss" (but not "negotiate") with us the prospects of the British economy both per se and as the centre of the sterling area. The separate items in this complex - the prospects for our balance of payments, linking with our slower growth rate, with our debt repayment programme, with the stability of the sterling balances, all with an eye to our compatibility with the Six as partners in monetary and economic harmonisation - hopefully "by 1980" - these items are all of the greatest sensitivity. There is increasing agreement that "discussions" (a euphemism for "vetting") should take place with the Monetary Committee of the Six, which is at once less insecure, more knowledgeable and more experienced (eg IMF and OECD-wise) than the Brussels negotiating machinery. There will have to be some means of keeping this ^(Treasury)side of the talks in line with the "Brussels" (largely Foreign Office) side. How can this best be done?

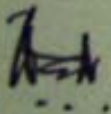
13. Finally, it will be necessary, at some stage of the negotiations, to think about a better informed public opinion (see paragraph 3). This is essentially a Ministerial function, but it will involve a lot of work at official level. It may for example become necessary to project some equivalent of the picture which even M. Pompidou found it necessary to project

SECRET

on Tuesday, of the future development of the Community and of France's place in it, if only because the very absence of such a picture gives rise to fears of the (supranational) unknown which are even now being exploited. So far, for the reasons given in paragraph 6, the basic forethought on these "political" matters and on what Britain would be like as a Community member has not gone far: and similarly with defence questions which may arise - see paragraph 7. How and where is this forethought to be organised?

14. Guidance is therefore sought as to how the Prime Minister would wish these central functions to be handled in future. The coincidence of a change of administration with a change from preparation for negotiations to actual negotiations makes such guidance doubly necessary. This minute has accordingly set out the relevant considerations so far as they can be foreseen over a period of up to two years ahead. The Prime Minister may feel it is right to put forward these problems for his consideration now, and if he wishes, for discussions when convenient; rather than waiting until later, when the tide of European affairs will have begun to rise to the level which he has himself experienced.

15. I am copying this minute only to Sir Burke Tread.



W A NIELD

2 July 1970

PRIME MINISTER

European Policy
Spoke Files 10.30
AA 30/6

Europe Negotiations: the Luxemburg Meeting

The Foreign and Commonwealth Secretary has telephoned to say that they had a good and business-like meeting in Luxemburg. There had been a good atmosphere and the British statement had gone well. Mr. Barber had unfortunately been unwell and had had to go to bed after lunch. The Foreign and Commonwealth Secretary will be at home if you wish to speak to him.

M.

P.A.

M.

1/7

June 30, 1970

Foreign & Commonwealth
Office

Opening Statement for Luxembourg, 30 June 1970

I should like to begin by saying what a pleasure it is to be able to start our proceedings here in Luxembourg, and to thank the Luxembourg Government for the facilities and the hospitality which they are so generously providing today.

2. May I also tell you, Mr. Chairman, since this is I believe the last day of your term of office as President of the Council of Ministers of the European Communities, how much we appreciate all that you and your colleagues have done in the last six months to enable us all to meet together now? Since your historic meeting at The Hague last December, ~~summoned~~ held at the initiative of the President of the French Republic, we have all moved along converging paths to Luxembourg. ~~There~~

3. I would also like to pay tribute to Monsieur Rey for all that he and his colleagues in the European Commission have done for the cause of a united Europe, and for the enlargement of the European Communities. I know all the member Governments of the Communities will miss him; and so shall we.

4. Mr. Chairman, before I turn to the substance of today's meeting, I hope that I may be allowed a purely personal word. After 20 years of political life, I can think of no greater challenge than to conduct these negotiations on behalf of Her Majesty's Government. I come new to the details of European affairs, but I have followed these matters for long enough to recognise, on the one hand, the great advantages

/for all

for all of us if these negotiations succeed, but, on the other hand, our need to face up to the very real problems which, together, we shall have to solve.

5. None of us in this room knows whether we shall succeed - whether we shall ultimately be able to agree upon terms which are mutually acceptable. But at least we can say this. We meet today with goodwill on all sides and, I believe, with a determination on the part of all of us to do everything possible to reach a fair solution.

6. Nine years ago we began negotiations for membership of the European Communities. We entered those negotiations with high hopes, but they were not to be fulfilled. Then, in May 1967 the previous British Government applied to join.

And now, today, ~~with goodwill,~~ I want my colleagues in the Communities to know that the new Government in Britain are confident that ^{with goodwill,} these negotiations now beginning can succeed. Our task is, together, to work out terms which are fair. And if none of us loses sight of the compelling reasons for uniting and strengthening Europe - reasons which have grown stronger with the years - then fair terms will be found.

7. The fact is that none of us acting alone can gain the ends which we desire for our own people in terms of physical security or economic or social advance. ^{Looking} ~~Looking~~ beyond our own frontiers, ^{still} there are dangers, ~~there are dangers,~~ ^{and it} is right that Europe should assume a greater share of responsibility for its own defence. That too is our joint concern.

8. And it is wholly unrealistic to separate the political and economic interests of Europe, because our place in the world, and our influence, will be largely determined by the

/growth

of our resources and the pace of our technological development. Economic growth and technological development today require that we unite our economies and our markets.

9. A united Europe must, of course, take full account of the views of its friends and allies in other parts of the world. But let none of us who is taking part in these negotiations lose sight of our common objective of European unity. And let no-one who is not taking part think it could be in his interest that we should fail to achieve that objective. For given this ^{of European unity,} base, we can not only hope for, but more effectively work for a closer and more fruitful relationship between East and West. We can do more to promote the growth of international trade. And we can make a fuller European contribution to solving the problems of less prosperous countries.

10. These are the reasons why we want a united Europe. We want Europe to prosper. But we do not seek prosperity for Europe alone, any more than you do. We believe with you that Europe still has its contribution to make beyond its own frontiers and we believe that Europe cannot make its full contribution unless the Communities are enlarged to include Britain.

11. The Governments of Denmark, the Irish Republic and Norway have also decided to apply to join the Communities, and we warmly welcome their decisions. We also believe that a number of European countries which do not ~~join~~ join the Communities as full members will nevertheless have a valuable contribution to make to many of our common objectives, and that it will therefore be in the interest of all of us that these countries should find a mutually
/satisfactory

satisfactory relationship with the enlarged Communities.

12. Both Mr. Heath, in a speech last month, and the previous British Government have made it clear that ^A we accept the Treaties establishing the three European Communities and the decisions which have flowed from them. ^B I confirm that this is the position of Her Majesty's Government, subject to the points to which I now turn.

13. The list of questions which we wish to see covered in negotiations remains the same as those put forward by the previous British Government in July 1967. For Euratom and the European Coal and Steel Community we seek only a very short transitional period. Adaptation to the obligations of the European Economic Community will clearly require more time than that, ~~_____~~

~~_____~~ ^{and} But it would be unrealistic not to face up to the fact, at the outset, that there are some very difficult problems to be solved. Our main problems, as you know, concern certain matters of agricultural policy; ~~_____~~ our contribution to Community budgetary expenditure; Commonwealth sugar exports; New Zealand's special problems; and certain other Commonwealth questions.

14. The position which the previous British Government took in July 1967 was, of course, subject to developments in the Community in the meantime. § Fisheries policy may prove to be one such development. § In the field of Community budgetary arrangements, recent developments have made the problems facing our membership more difficult. As you know, our
 /predecessors

I think this para should be reduced 5 words from A - B and then straight into 13.
 M

Capata

X

stability and confidence, essential to the further development of the Communities, would be lacking.

15. A few weeks ago Mr. Heath spoke about the future development of the Communities. He said that we shared your determination to go on from what has already been achieved into new spheres of cooperation beginning with economic and monetary matters, but at the same time laying the foundations for a new method of working together in foreign policy and defence. In all these problems, he added, we should seek to achieve solutions which are Community solutions. We welcome the moves which you have already made towards closer economic and monetary integration, ~~and are ready to play our full part, in this~~ And there are other aspects of policy where we shall likewise welcome further progress; in industrial policy, in regional policy, and of course in the field of technology where we are already working together, but where so much more could be done once the Communities had been enlarged.

16. I have said enough today to show you that, ~~the~~ the new British Government is determined to work with you in building a Europe which has a coherent character of its own. If the Communities are to develop; and if we are to find Community solutions to our common problems, we shall need the machinery to take the decisions. That means sharing in the continued development of effective institutions - effective to ^{do these things} carry out the tasks which our ^{and advantageous to all.} joint experience shows to be necessary. That has always been our practical approach to institutional change. What

/matters

Admiral King

matters - to you and to us - is that our objectives are the same, and we no less than you, will want the institutions to meet those objectives.

17. I have said that we accept the Treaties and their objectives. But it is not simply a question for us of accepting what you have done. Like you we look to the future. As the Commission recognised in its Opinion of last October, the accession of additional countries will be of great value for the Communities both in their internal development and in the exercise of increased responsibilities in the world.

18. I have referred to the main points which we wish to see covered in negotiations. ~~_____~~
~~_____~~
~~_____~~

~~_____~~ We hope that ^{the} negotiations can be kept short and confined to essentials. I ~~notice~~ ^{can tell} that the problems which you have been discussing for the last six months in preparation for these negotiations are very much the same as ours. So these are ~~the same~~ common problems for us and for you - how to enable an enlarged Community to function most effectively for the advantage of all. Our wish is to look together in the spirit of the Community for solutions which in the words of the Commission's Opinion of 1969 will ensure the cohesion and the dynamism which will be indispensable in an enlarged Community.

19. Mr. Chairman, after many years we now have the opportunity to realise together a Europe which has a coherent character of its own. We have the same defence interest; our political
/interests

interests are growing every day progressively closer. As we develop new policies together we shall, as I have said, find it natural to develop the institutional machinery which we shall need to execute those policies. If we can together succeed in the negotiations now begun then, as Sir Winston Churchill said, there will be no limit to the happiness, to the prosperity and glory which Europe's people will enjoy. So let none of us spare any effort in these negotiations. Inspired by goodwill and united by so many aims and hopes and interests, ^{this time} we can ~~and must~~ succeed.

20. Mr. Chairman, in view of the ~~importance of this meeting~~ I am arranging for the text of my statement to be made public in the United Kingdom.

PRIME MINISTER

P.A.
M.
25/6

Meeting with the Foreign and
Commonwealth Secretary

You wished to talk with the Foreign and Commonwealth Secretary about:-

- i. Top diplomatic appointments (yellow sheet attached), Flag A.
- ii. Questions relating to the conduct of the Europe talks (your note on UKDEL Brussels telegram No. 250), Flag B.

The Foreign and Commonwealth Secretary mentioned at Cabinet this morning that the matters he had in mind to raise with you were:-

- i. The Gulf (I have attached a very short note on two particular issues that arise here), Flag C.
- ii. Simonstown and South Africa arms.
- iii. Rhodesia.

M.

Top copy - Mid. East June '70

June 25, 1970

June 25, 1970

The Prime Minister has seen UKDEL Brussels telegram No., 258 of June 24. Paragraph 4.(v) of that telegram refers to the fact that costs of the 1961-63 Europe negotiations have not yet been settled. The Prime Minister has noted on this.

"Why not? Can we not clear this out of the way?"

E.H."

I should be grateful for a reply to the Prime Minister's enquiry.

P.J.S.M.

N. Barrington, Esq.,
Foreign and Commonwealth Office.

CYPHER/CAT A

CONFIDENTIAL

IMMEDIATE UKDEL EC BRUSSELS
TELEGRAM NO. 258

TO FOREIGN AND COMMONWEALTH OFFICE
24 JUNE 1970

CONFIDENTIAL.
FRAME.

ADDRESSED TO FOREIGN AND COMMONWEALTH OFFICE TELEGRAM NO. 258 OF 24 JUNE 1970 REPEATED FOR INFORMATION TO BONN THE HAGUE LUXEMBOURG PARIS ROME AND SAVING TO WASHINGTON BERNE OSLO COPENHAGEN HELSINKI LISBON STOCKHOLM VIENNA DUBLIN AND BRUSSELS.

MY TELEGRAM NO. 258 : COMMITTEE OF PERMANENT REPRESENTATIVES.
ENLARGEMENT.

THE COMMITTEE OF PERMANENT REPRESENTATIVES CONTINUED THEIR DISCUSSION ON ENLARGEMENT ON 23 JUNE. THEY SUCCEEDED IN CLARIFYING FURTHER A NUMBER OF PROCEDURAL DETAILS IN CONNECTION WITH THE OPENING OF NEGOTIATIONS. BUT THEY DID NOT ENTIRELY COMPLETE THEIR CONSIDERATION OF THE OPENING STATEMENT ON THE COMMUNITY SIDE TO BE MADE ON 30 JUNE BY THE PRESIDENT OF THE COUNCIL. THE FINAL FORM OF THE FRAMEWORK OF THIS STATEMENT (THE FILLING IN OF THE TEXT BEING LEFT TO THE BELGIANS) IS THOUGHT LIKELY TO BE COMPLETED ON 24 JUNE.

2. THE FRAMEWORK FOR THE COMMUNITY OPENING STATEMENT IS DIVIDED INTO FIVE SECTIONS:

- (I) WELCOMING REMARKS;
- (II) THE SIGNIFICANCE OF THE OPENING OF ENLARGEMENT NEGOTIATIONS;
- (III) THE STATE OF MIND IN WHICH THE COMMUNITY STARTS NEGOTIATIONS;
- (IV) THE COMMUNITY NEGOTIATING POSITION;
- (V) CONCLUSIONS.

/....3. IT WAS

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3. IT WAS AGREED WITH RESPECT TO ARRANGEMENTS FOR THE MEETING ON 30 JUNE THAT THE ORDER OF SPEAKING SHOULD BE COMMUNITY (HARMEL FOLLOWED BY REY), U K, IRELAND, DENMARK, NORWAY (THE ORDER AMONG THE CANDIDATES BEING DETERMINED BY THE ORDER IN WHICH THEIR APPLICATIONS FOR MEMBERSHIP WERE PRESENTED). MOST OF THE PERMANENT REPRESENTATIVES CONTINUED TO URGE THAT HARMEL AND REY ALONE SHOULD SPEAK ON THE COMMUNITY SIDE. BUT THE GERMANS INSISTED ON RETAINING THE POSSIBILITY OF THEIR MINISTER ALSO SPEAKING. THE COMMISSION WERE ADVISED THAT REY'S CONTRIBUTION SHOULD NOT ENTER INTO THE SUBSTANCE OF QUESTIONS. IT WAS POINTED OUT THAT, IF THE COMMISSION SAID THE SAME AS THE PRESIDENT OF THE COUNCIL, THEN THIS WOULD BE MERE REPETITION; BUT IF THEY SAID SOMETHING DIFFERENT THEN THEY WOULD BE CONTRADICTING THE ARRANGEMENTS MADE ON THE PROCEDURE FOR NEGOTIATIONS. IT WAS INDICATED THAT THEIR CONTRIBUTION SHOULD CONSIST MERELY OF +PAROLES AIMABLES DE COURTOISIE+.

4. A NUMBER OF OTHER PROCEDURAL POINTS WERE ALSO DISCUSSED:

(1) SITE OF NEGOTIATIONS.

THE BELGIANS CONTINUED TO PRESS THE CLAIMS OF THE PALACE OF EGMONT. THEY SUGGESTED THAT THE NEGOTIATIONS SHOULD START IN THE PRESENT COUNCIL OFFICES IN THE RUE RAVENSTEIN AND SHOULD THEN BE MOVED TO THE PALACE OF EGMONT AS SOON AS THE LATTER WAS READY. THE FIVE OTHER PERMANENT REPRESENTATIVES, WHILE SAYING THAT THEY WERE PREPARED TO GO A LONG WAY TO HELP THE BELGIANS, INDICATED THEY COULD NOT AGREE TO NEGOTIATE IN SUB-STANDARD ACCOMMODATION. IT WAS FINALLY AGREED THAT M HARMEL SHOULD DISCUSS THIS FURTHER WITH THE PERMANENT REPRESENTATIVES ON 26 JUNE IN AN ATTEMPT TO PERSUADE THEM OF THE SUPERIOR CLAIMS OF THE PALACE OF EGMONT (THE DUTCH PERMANENT REPRESENTATION TELL US THAT, IF, AS SEEMS LIKELY, M HARMEL DOES NOT GET HIS WAY WITH THE PERMANENT REPRESENTATIVES ON THAT OCCASION, THEY EXPECT HIM TO INSIST ON DISCUSSING THE QUESTION WITH MINISTERS THEMSELVES ON 29 JUNE).

/... (11) PERIODICITY

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UKDEL E.E.C. BRUSSELS TELEGRAM NO.258 TO PCO.

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(II) PERIODICITY OF NEGOTIATIONS.

AFTER A FURTHER BRIEF DISCUSSION A NEW TEXT ON THE PERIODICITY OF NEGOTIATIONS WAS ADOPTED, ALTHOUGH A DUTCH RESERVE WAS MAINTAINED ON THIS. THE TEXT IS : +IL SERAIT PREVU DEUX SESSIONS AU NIVEAU MINISTERIEL PAR TRIMESTRE ET UNE SESSION DE DEUX JOURS AU NIVEAU DE SUPPLEANTS PAR QUINZAINE, ETANT ENTENDU QUE CES RYTHMES POURRAIENT ETRE ACCELERES SI LA NECESSITE S'EN FERAIT SENTIR+.

(III) DOCUMENTATION OF THE NEGOTIATIONS.

THE COUNCIL SECRETARIAT HAD PROPOSED THAT A +PROCES VERBALE+ OF THE NEGOTIATIONS NEED NOT BE PRODUCED BUT THAT THE TAPES OF EACH SESSION SHOULD BE KEPT BY THE CONFERENCE SECRETARIAT AND PLACED AT THE DISPOSAL OF ANY DELEGATION WHICH WISHED TO CLARIFY OR DISPUTE A POINT. THE CONFERENCE SECRETARIAT WOULD MERELY PRODUCE AFTER EACH SESSION A SUMMARY OF DECISIONS REACHED. THIS PROPOSAL WAS ACCEPTED BY ALL THE PERMANENT REPRESENTATIVES OTHER THAN THE FRENCH. BOEGNER (FRANCE) INSISTED ON THE NEED FOR A FULL +PROCES VERBALE+ AND SAID THAT HE COULD NOT SHIFT THIS POSITION WITHOUT CONSULTING HIS MINISTER.

(IV) MEETINGS AT DEPUTY LEVEL IN JULY.

THERE WAS NO FURTHER DISCUSSION OF THIS POINT. THE DUTCH PERMANENT REPRESENTATION TELL US THAT THE SITUATION AS IT STANDS NOW IS THEREFORE THAT THE PRESIDENCY MIGHT RAISE THE QUESTION OF A DEPUTY MEETING BEFORE 21 JULY AT THE E E C COUNCIL ON 29 JUNE; BUT, IN THE LIGHT OF OUR EXPRESSED LACK OF INTEREST IN SUCH A MEETING, THEY DO NOT EXPECT THEM TO DO SO. THE POSITION ABOUT A DEPUTY MEETING AFTER 21 JULY IS THAT THIS SHOULD BE DISCUSSED BY THE SEVEN MINISTERS ON 21 JULY AND THAT IT WOULD BE FOR US TO PRESS FOR SUCH A MEETING ON THAT OCCASION IF WE CONTINUED TO WANT ONE.

/... (V) COSTS

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(V) COSTS OF THE NEGOTIATING CONFERENCE.

X | THERE WAS A VERY BRIEF DISCUSSION ON THIS, WHICH REACHED NO CON-
CLUSION. THE COUNCIL SECRETARIAT URGED THAT THE COSTS OF THE NEG-
OTIATIONS BE SETTLED YEAR BY YEAR RATHER THAN BEING HELD OVER TO THE
END OF THE NEGOTIATIONS; THEY POINTED OUT THAT THE COSTS OF THE
1961-63 NEGOTIATIONS HAD NOT YET BEEN SETTLED.

F C C PASS PRIORITY TO BONN THE HAGUE LUXEMBOURG PARIS AND ROME
AND SAVING TO WASHINGTON BERNE UKMIS GENEVA OSLO COPENHAGEN HELSINKI
LISBON STOCKHOLM VIENNA AND DUBLIN. PASSED SAVING TO BRUSSELS.

SIR J MARJORIBANKS

[REPEATED AS REQUESTED]

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PRIME MINISTER

Membership of the European Communities

(CP(70)2)

There are 3 issues for decision:

- (a) whether the Cabinet approve the general line of the Opening Statement for 30 June attached to CP(70)2;
- (b) whether the Statement should be published and, if so, in what form (see paragraph 17 of the draft Statement);
- (c) whether the provisional arrangements for the opening on July 21 of negotiations between the Six and the United Kingdom (without the other three applicants) should be confirmed.

The Opening Statement for 30 June

2. The Statement expresses the Government's determination to join on fair terms (paragraph 2); and after welcoming the applications from Denmark, the Irish Republic and Norway (paragraph 7) outlines the United Kingdom's general position (paragraphs 8, 9 and 10). This is that we can accept the three Treaties, subject to adequate transitional periods for adaptation and on condition that satisfactory solutions can be found to certain major problems. You may find it helpful to refer here to Annex C of my minute of 19 June which summarises the problems and their solutions - ie the negotiating objectives - prepared by an interdepartmental committee of officials.

These problems are -

- (i) Certain agricultural policy questions. There is in fact little of major substance here - mainly securing arrangements for an Annual Review (as in 1961) and satisfactory assurances that we shall be able to continue support for our hill farmers (paragraphs 30-36 of the summary). The issue of major importance which now arises from the common agricultural policy is its enormous expense and the size of our contribution to that expenditure.
- (ii) The size of our contribution to the Community Budget, largely expended on agricultural support, which is the crux of our negotiating problem (paragraphs 8 - 11 of the summary).

- (iii) Continued access to our market of developing Commonwealth sugar producers which are heavily dependent on it (paragraphs 16 - 22 of the summary).
- (iv) New Zealand's "special problems". Officials consider that there will only be problems on butter and cheese but the New Zealand Government would add lamb. Hence the Statement avoids closer definition of the problems (paragraphs 12 - 15 of the summary).
- (v) Certain other Commonwealth questions. These are the arrangements which we would seek whether by association or otherwise, for developing Commonwealth countries in Africa, the Caribbean and Asia (paragraphs 23 - 29 of the summary).

3. There is then a welcoming paragraph 11 for the recent moves by the Six to establish closer economic and monetary integration. Paragraph 14 suggests that the less important issues should be settled after entry. Paragraph 16 refers to our growing community of interest with the Six in political and defence issues and indicates our intention to help in developing the institutional machinery to execute common policies. Paragraph 17 refers to the intention to publish the text of the Statement (for comment on this see paragraph 5 below).

4. If the Cabinet are broadly content with the Statement, they may wish to leave some discretion to the Foreign Secretary and the Chancellor of the Duchy of Lancaster to make drafting amendments.

Publication of the Statement on 30 June

5. It will clearly be necessary to publish the Opening Statement by the United Kingdom. There are various possible methods of doing this but the best would seem to be to present the text to Parliament as a White Paper shortly after it has been delivered on 30 June. (Although this is before the formal Opening of Parliament it has been established that the White Paper can be presented on 30 June). We understand that this is the course that the Foreign Secretary will be proposing and it accords with the practice followed when you made the opening statement in 1961.

Ministerial Meeting on 21 July

6. A decision is required now whether we should confirm the provisional arrangements made by the Six for the first Ministerial meeting with the UK alone on 21 July (see paragraph 3 of the Foreign Secretary's note). The Foreign Secretary explains in paragraph 4 the reasons why he and the Chancellor of the Duchy of Lancaster consider that this date should be confirmed.

7. The Foreign Secretary is proposing that we should use the occasion of the meeting on 21 July to obtain agreement to the establishment of several working parties at official level to examine the facts in relation to our major problems and if possible reach with officials of the Six an agreed assessment of the facts during September, as a basis for the start of negotiations proper at the second Ministerial meeting with the United Kingdom alone which seems unlikely to take place before the beginning of October. It is not the Foreign Secretary's intention that there should be any further substantive statement of the United Kingdom's negotiating position on 21 July, nor of course that the official working parties should discuss possible solutions even tentatively in September.

8. The Foreign Secretary makes out a strong case for the 21 July meeting. Above all it seems desirable at an early stage - and before the Six have firmed up their own approach - to seek to convince them that we have made reasonable estimates of the cost to us of the unmodified application of the Community's present budgetary arrangements.

9. We have considered whether, if the Cabinet agree to the objective of early establishment of fact-finding working parties, but are not in favour of a Ministerial meeting in July which would simply be used to achieve this objective, the latter might be secured otherwise. The alternative approach would be to include in the 30 June statement a proposal for the early establishment of official fact-finding working parties. But it might well be unwise for us to make this proposal in the presence of the other candidates; and at what the Six expect to be a largely ceremonial meeting on 30 June, they might well not be ready to respond to the proposal. In which case we should have all the difficulties of a postponement until the autumn to which the Foreign Secretary has referred in paragraph 4 of his note.

10. Whether the 21 July meeting is confirmed or it is decided to attempt to establish working parties at the 30 June meeting, it is unrealistic to expect the Six to get down to serious work before early September. This would give the Foreign Secretary's Committee on Europe the necessary time:-

- (i) to examine the briefs which have been prepared on our problems and which contain proposed solutions to them;

E.R.

- (ii) to decide (before July 21) what fact-finding parties should be established (the priorities in the list of subjects for negotiation in our June 30 Statement (which is in effect the Six's list also) are not difficult to establish);
- (iii) the forms which the factual statements to the Six on our problems should take.

You may wish to mention this committee and its work to the Cabinet.

W.A.

W A NIELD

24 June 1970

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Chancellor of the Duchy of Lancaster

Foreign and Commonwealth Office
Downing Street London SW1
Telephone 01-930 8440

23 June, 1970.

Jean P. ...

P.A.

Prime Minister

Am. 24/6

Am. 23/6

You may like to see in the enclosed telegrams the texts of the messages which the Chancellor of the Duchy has sent to the Foreign Ministers of The Six and the President of the European Commission.

Yours sincerely

C. C. C. Tickell

(C. C. C. Tickell)

P. J. S. Moon Esq.,
10 Downing Street,
London, S.W.1.

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CYPHER/CATA

IMMEDIATE FOREIGN AND COMMONWEALTH OFFICE

TELEGRAM NUMBER 321

CONFIDENTIAL.

TO PARIS

22 JUNE 1970

(EID)

ADDRESSED TO PARIS TELEGRAM NUMBER 321 OF 22 JUNE
AND TO BONN ROME BRUSSELS LUXEMBOURG THE HAGUE. REPEATED FOR
INFORMATION TO UKDEL BRUSSELS.

MESSAGE TO FOREIGN MINISTERS OF SIX

~~PLEASE SEE MY IMMEDIATELY PRECEDING TELEGRAM.~~

QUOTE. YOU WILL ALREADY HAVE HEARD THAT I HAVE BEEN APPOINTED
CHANCELLOR OF THE DUCHY OF LANCASTER AND GIVEN RESPONSIBILITY
FOR THE CONDUCT OF OUR EUROPEAN POLICY UNDER ALEC DOUGLAS-HOME.
I THUS SUCCEED GEORGE THOMSON AS THE HEAD OF THE BRITISH
DELEGATION FOR THE NEGOTIATION OF OUR ENTRY INTO THE EUROPEAN
ECONOMIC COMMUNITY.

BY ANY RECKONING MY TASK REPRESENTS A TREMENDOUS CHALLENGE,
BUT AT THIS TIME THERE IS NONE THAT I WOULD MORE WILLINGLY ACCEPT.
ALTHOUGH I HAVE PREVIOUSLY WORKED CLOSELY WITH HAROLD MACMILLAN
AND MORE RECENTLY WITH TED HEATH, I COME NEW TO THE DETAILS OF
EUROPEAN AFFAIRS. WHILE BUILDING ON THE WORK OF MY PREDECESSOR,
GEORGE THOMSON, WHOM I HAVE LONG WATCHED AND DEEPLY RESPECTED
I MUST NOW GIVE A PERSONAL LOOK AT THE PROBLEMS WE ARE LIKELY TO
ENCOUNTER IN THE NEGOTIATIONS AND TRY TO SEE THE WAY FORWARD
TO SOLUTIONS WHICH ARE FAIR AND RIGHT FOR US ALL.

I LOOK FORWARD TO MEETING YOU NEXT WEEK AND THEREAFTER
TO WORKING IN CLOSE CO-OPERATION WITH YOU. I HOPE YOU WILL BE
INDULGENT TOWARDS A NEWCOMER AND ALLOW ME TO BENEFIT FROM YOUR
COUNSEL, EXPERIENCE AND GOOD WILL. 30 JUNE WILL BE A HISTORIC
OCCASION FOR ALL THOSE CONCERNED BUT I WANTED TO SEND YOU THIS
WORD IN ADVANCE TO MARK THE BEGINNING OF THE CLOSE PERSONAL
RELATIONSHIP I HOPE TO ESTABLISH WITH YOU AND YOUR COLLEAGUES.
PLEASE KNOW THAT WE ENTER THE NEGOTIATIONS WITH THE HOPE,
EXPECTATION AND WILL TO SUCCEED.

DOUGLAS-HOME

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IMMEDIATE FOREIGN AND COMMONWEALTH OFFICE
TELEGRAM NUMBER 70

TO UKDEL EEC BRUSSELS
22 JUNE 1970
(MW)

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ADDRESSED TO UKDEL BRUSSELS TELEGRAM NUMBER 70 OF 22 JUNE REPEATED
FOR INFORMATION TO BONN, PARIS, ROME, BRUSSELS, THE HAGUE,
LUXEMBOURG.

FOLLOWING FROM CHANCELLOR OF THE DUCHY OF LANCASTER.

PLEASE DELIVER THE FOLLOWING MESSAGE TO THE PRESIDENT OF THE
EUROPEAN COMMISSION.

QUOTE YOU WILL ALREADY HAVE HEARD THAT I HAVE BEEN APPOINTED
CHANCELLOR OF THE DUCHY OF LANCASTER AND GIVEN RESPONSIBILITY FOR
THE CONDUCT OF OUR FOREIGN POLICY UNDER THE FOREIGN AND COMMONWEALTH
SECRETARY. I THUS SUCCEED GEORGE THOMSON AS THE HEAD OF THE BRITISH
DELEGATION FOR THE NEGOTIATION OF OUR ENTRY INTO THE EUROPEAN
ECONOMIC COMMUNITY.

? you

I LOOK FORWARD VERY MUCH TO MEETING ^{you} AT THE HISTORIC MEETING ON
30 JUNE. I AM PARTICULARLY PLEASED THAT THIS WILL TAKE PLACE ~~UNDER~~ ^{DURING}
THE ~~TERM OF OFFICE~~ ^{TERM OF OFFICE} OF ONE WHO HAS WORKED SO LONG AND SO PATIENTLY
FOR THE ENLARGEMENT AND DEVELOPMENT OF THE COMMUNITY. IT WILL BE
FOR US TO ENSURE WITH THE HELP OF YOUR SUCCESSOR THAT THE
NEGOTIATIONS ARE SUCCESSFUL AND THAT WE FIND SOLUTIONS TO THE
PROBLEMS NOW FACING US WHICH ARE FAIR AND RIGHT FOR US ALL. IN THE
MEANTIME I SHOULD LIKE YOU, YOUR SUCCESSOR AND YOUR COLLEAGUES TO
KNOW THAT WE ENTER THE NEGOTIATIONS WITH THE HOPE, EXPECTATION AND
WILL TO SUCCEED.

DOUGLAS-HOME

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IMMEDIATE UNDEL TO BRUSSELS
TELEGRAM NO. 253

CONFIDENTIAL
June 23, 1970
TO FOREIGN AND COMMONWEALTH
22 JUNE 1970

CONFIDENTIAL.
FRAME.

ADDRESSED TO FOREIGN AND COMMONWEALTH TELEGRAM NO. 253
JUNE 1970
AND
HEL
The Prime Minister has seen Washington telegram No. 1896 of June 20. He has commented that paragraph 8 of that telegram is important and should be kept in mind.

BY TELEGRAM NO. (237) ; COMMITTEE OF PERMANENT REPRESENTATIVES
ENLARGEMENT.
P.J.S.M

THE COMMITTEE OF PERMANENT REPRESENTATIVES CONTINUED THEIR WORK ON ENLARGEMENT ON 19 AND 20 JUNE. MUCH OF THE TIME WAS TAKEN BY DRAFTING THE OPENING STATEMENT TO BE MADE ON 23 JUNE ON BEHALF OF THE COMMUNITY BY H. HARPTEL. THIS DISCUSSION IS TO BE CONTINUED ON 21 AND WE HOPE TO BE GIVEN AN ACCOUNT OF THE COMMUNITY'S STATEMENT THEREAFTER.

B. THE COMMITTEE ALSO DISCUSSED AND REACHED A MEASURE OF AGREEMENT ON A NUMBER OF PROVISIONAL POINTS CONNECTED WITH THE NEGOTIATION (1) PERIODICITY OF MEETINGS.

THE DUTCH CONTINUED TO SUPPORT THE PROPOSAL THAT THE DEPUTIES MEET ONE DAY A WEEK AND THAT THE MINISTERS SHOULD MEET ONE TIME A MONTH.

ON THE SUBJECT OF THESE PROPOSALS, THEY WERE ENTIRELY Satisfied BY THE ITALIANS AND VAN DER MEULEN (BELGIUM) DURING UP THE DISCUSSION, SAID THAT...

**J.A.N. Graham, Esq.,
Foreign and Commonwealth Office.**

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Handwritten initials

has been discussed with the committee Thursday
AS 24/6

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IMMEDIATE UKDEL EC BRUSSELS
TELEGRAM NO. 253

TO FOREIGN AND COMMONWEALTH OFFICE
22 JUNE 1973

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FRAME.

ADDRESSED TO FOREIGN AND COMMONWEALTH OFFICE TELEGRAM NO. 253 OF 22 JUNE 1973 REPEATED FOR INFORMATION TO BOMN THE HAGUE LUXEMBOURG PARIS AND ROME AND SAVING TO WASHINGTON UKMIS GENEVA BERNE OSLO COPENHAGEN HELSINKI LISBON STOCKHOLM VIENNA DUBLIN AND BRUSSELS.

MY TELEGRAM NO. (231) : COMMITTEE OF PERMANENT REPRESENTATIVES.
ENLARGEMENT.

THE COMMITTEE OF PERMANENT REPRESENTATIVES CONTINUED THEIR DISCUSSION ON ENLARGEMENT ON 19 AND 22 JUNE. MUCH OF THE TIME WAS TAKEN UP WITH DRAFTING THE OPENING STATEMENT TO BE MADE ON 30 JUNE ON BEHALF OF THE COMMUNITY BY M HARMEL. THIS DISCUSSION IS TO BE CONTINUED ON 23 JUNE AND WE HOPE TO BE GIVEN AN ACCOUNT OF THE COMMUNITY'S STATEMENT THEREAFTER.

2. THE COMMITTEE ALSO DISCUSSED AND REACHED A MEASURE OF AGREEMENT ON A NUMBER OF PROCEDURAL POINTS CONNECTED WITH THE NEGOTIATIONS:

(1) PERIODICITY OF MEETINGS.

THE DUTCH CONTINUED TO SUPPORT THE PROPOSAL THAT THE DEPUTIES SHOULD MEET ONE DAY A WEEK AND THAT THE MINISTERS SHOULD MEET ONE DAY A MONTH. ON THE FIRST OF THESE PROPOSALS THEY WERE ENTIRELY ISOLATED: ON THE SECOND THEY WERE GIVEN SUPPORT BY THE ITALIANS AND GERMANS. VAN DER MEULEN (BELGIUM) SUMMING UP THE DISCUSSION, SAID THAT HE /...WOULD SUGGEST

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*This would presumably
allow more as well as
last meetings - m.*

WOULD SUGGEST TO MINISTERS THAT THEY SHOULD PROPOSE THAT THE DEPUTIES SHOULD MEET AT LEAST TWO DAYS A FORTNIGHT AND THAT THIS PROGRAMME SHOULD BE ADAPTABLE +AVEC LA FLEXIBILITE VOULUE+. FOR MINISTERIAL MEETINGS HE WOULD PROPOSE THAT THEY SHOULD BE TWICE EVERY THREE MONTHS: AND THAT A SIMILAR PHRASE ON FLEXIBILITY SHOULD BE APPLIED TO THESE MEETINGS (THE DUTCH PERMANENT REPRESENTATION TELL US THAT THEY WILL BE RECOMMENDING ACCEPTANCE OF THESE TWO FORMULAS TO THE HAGUE. THEY DO NOT FEEL THAT THEY CAN STAND ISOLATED ON THE QUESTION OF DEPUTIES MEETINGS: AND ON THE QUESTION OF MINISTERIAL MEETINGS THE FORMULA PROPOSED COMES VERY CLOSE TO GIVING US A MEETING EVERY TIME THE E E C COUNCIL MEETS AT FOREIGN MINISTER LEVEL - THEY SUGGEST THAT, IF, IN RESPONDING TO SUCH A PROPOSAL, WE WERE TO MAKE IT CLEAR THAT OUR UNDERSTANDING OF THE FORMULA TWO MINISTERIAL MEETINGS EVERY THREE MONTHS WAS THAT THERE WOULD BE A TOTAL OF EIGHT MEETINGS A YEAR, THEN WE WOULD IN FACT, BECAUSE OF GAPS DUE TO HOLIDAYS, VIRTUALLY ACHIEVE THAT OBJECTIVE OF A NEGOTIATING MEETING EVERY TIME THE COUNCIL MET AT FOREIGN MINISTER LEVEL. THE DUTCH ADDED THAT THE AGREEMENT WAS FOR A FULL DAY MEETING ON EACH OCCASION WITH THE U K ALONE AND DID NOT INCLUDE WHATEVER TIME IT MIGHT TAKE THE COMMUNITY TO PREPARE FOR SUCH A MEETING).

(II) JOINT SECRETARIAT.

IT WAS AGREED THAT THERE SHOULD BE A JOINT SECRETARIAT UNDER THE SECRETARY GENERAL OF THE COUNCIL OF MINISTERS. THE SECRETARIAT TEAM FOR THE ENLARGEMENT NEGOTIATIONS SHOULD CONSIST OF MEMBERS OF THE COUNCIL SECRETARIAT AND REPRESENTATIVES OF THE CANDIDATE COUNTRIES I E THE JOINT SECRETARIAT WOULD BE A SECRETARIAT (FOLLOWING TWO WORDS UNDERLINED) A DIX.

/... (III)

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(III) PRESIDENCY.

IT WAS AGREED THAT THE COMMUNITY SHOULD PROPOSE THAT THERE SHOULD NOT BE ANY FORMAL PRESIDENCY BUT THAT THE FUNCTIONS OF THE +PRESIDENT DU SEANCE+ SHOULD BE VESTED PERMANENTLY IN THE LEADER OF THE COMMUNITY DELEGATION, THUS ROTATING EVERY SIX MONTHS AS THE COMMUNITY PRESIDENCY CHANGED. THIS FORMULA WOULD BE PROPOSED FOR BOTH BILATERAL AND MULTILATERAL NEGOTIATIONS.

(IV) SITE OF NEGOTIATIONS.

THE BELGIANS CONTINUE TO PRESS HARD FOR THE PALAIS D'EGMONT. BUT THE DISCUSSION ON THIS POINT WAS NOT CONCLUDED AND WILL BE CONTINUED ON 23 JUNE.

(V) DEPUTY MEETINGS IN JULY.

THE DISCUSSION OF THIS POINT WAS LEFT OVER UNTIL 23 JUNE.

F C O PASS PRIORITY TO BONN THE HAGUE LUXEMBOURG PARIS AND ROME AND SAVING TO WASHINGTON UKMIS GENEVA BERNE OSLO COPENHAGEN HELSINKI LISBON STOCKHOLM VIENNA AND DUBLIN. PASSED SAVING TO BRUSSELS.

SIR J MARJORIBANKS

[REPEATED AS REQUESTED]

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PRIORITY WASHINGTON
TELEGRAM NUMBER 1896

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TO: FOREIGN AND COMMONWEALTH OFFICE
20 JUNE, 1970.

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GUARD

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A 23
ADDRESSED F.C.O. TELEGRAM NUMBER 1896 OF 20 JUNE 1970 REPEATED FOR INFORMATION TO BONN, PARIS, BRUSSELS, ROME, UKDEL E.E.C., THE HAGUE AND SAVING TO LUXEMBOURG, STOCKHOLM, VIENNA, BERNE, OSLO, COPENHAGEN, HELSINKI AND DUBLIN.

U S ATTITUDE TOWARDS E E C ENLARGEMENT.

IN RECENT MONTHS THERE HAS BEEN AN INCREASE IN THE AMOUNT OF PUBLIC CRITICISM IN THIS COUNTRY OF EEC COMMERCIAL POLICIES AND PRACTICES. SIMILAR CRITICISM HAS BEEN EXPRESSED IN PRIVATE BY SOME SENIOR MEMBERS OF THE ADMINISTRATION, PARTICULARLY THOSE WHOSE RESPONSIBILITY IS IN THE FIELDS OF TRADE AND AGRICULTURE. THESE DEVELOPMENTS MAY HAVE GIVEN THE IMPRESSION THAT THE UNITED STATES IS WEAKENING IN ITS TRADITIONAL SUPPORT FOR CLOSER UNITY IN EUROPE AND THAT THERE IS EVEN A POSSIBILITY OF A MAJOR RE-APPRAISAL OF AMERICAN POLICY. WITH THE NEGOTIATIONS FOR ENLARGEMENT ABOUT TO START, YOU MAY LIKE TO HAVE MY ASSESSMENT OF THE SIGNIFICANCE OF THESE DEVELOPMENTS AND THE EFFECT THEY MAY HAVE ON THE ATTITUDE OF THE ADMINISTRATION.

2. PRESIDENT NIXON'S POLICY WAS SET OUT IN HIS STATEMENT ON U S FOREIGN POLICY FOR THE 1970'S WHICH WAS SENT TO CONGRESS ON 18 FEBRUARY. IN THIS STATEMENT HE DECLARED HIS FIRM SUPPORT FOR QUOTE A STRENGTHENING AND BROADENING OF THE EUROPEAN COMMUNITY UNQUOTE, EXPLICITLY RECOGNISED THAT U S INTERESTS WOULD BE ADVERSELY AFFECTED BY EUROPE'S EVOLUTION, BUT ACCEPTED THAT QUOTE THE POSSIBLE ECONOMIC PRICE OF A TRULY UNIFIED EUROPE IS OUTWEIGHED BY THE GAIN IN THE /POLITICAL

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POLITICAL VITALITY OF THE WEST AS A WHOLE UNQUOTE. THIS WAS NOT A NEW POLICY. SINCE HIS INAUGURATION, PRESIDENT NIXON HAS CONSISTENTLY DECLARED HIS SUPPORT FOR THE CONCEPT OF EUROPEAN UNITY, NOTABLY AT HIS PRESS CONFERENCE ON 4 MARCH, 1969, ON RETURNING FROM HIS EUROPEAN TOUR. AT THAT TIME, AND SUBSEQUENTLY, ALTHOUGH THE VIEW AS TAKEN THAT IT WOULD BE UNHELPFUL TO US TO EMPHASIZE PUBLICLY U S SUPPORT FOR U K ENTRY, THE STATE DEPARTMENT, WITH THE PRESIDENT'S AUTHORITY, TOOK EVERY OPPORTUNITY TO MAKE THIS POINT PRIVATELY TO DIPLOMATS IN WASHINGTON AND THROUGH UNITED STATES MISSIONS OVERSEAS TO OTHER GOVERNMENTS. THE 18 FEBRUARY STATEMENT WAS THEREFORE NO MORE THAN CONFIRMATION OF EXISTING POLICY. BUT IT HAD THE ADDED WEIGHT OF BEING INCLUDED IN A FORMAL DECLARATION DRAWN UP AS A RESULT OF A MAJOR AND COMPREHENSIVE REVIEW OF U S FOREIGN POLICY. MOREOVER, FOR THE FIRST TIME, MENTION WAS MADE OF THE NEED FOR THE UNITED STATES TO MAKE QUOTE SACRIFICES IN THE COMMON INTEREST UNQUOTE AS A NECESSARY COROLLARY TO EUROPEAN UNITY.

3. THIS POLICY HAS BEEN PUBLICLY RE-AFFIRMED BY THE PRESIDENT AND OTHER SENIOR OFFICIALS ON SEVERAL OCCASIONS SINCE FEBRUARY. FROM ALL THAT HAS BEEN SAID PRIVATELY TO MYSELF AND MEMBERS OF MY STAFF BY OFFICIALS OF THE ADMINISTRATION, FROM THE PRESIDENT DOWNWARDS, IN RECENT MONTHS, I AM REASONABLY CONFIDENT THAT IT WILL BE MAINTAINED, EVEN WHEN, AS HAS ALWAYS BEEN ANTICIPATED, SOME SECTORS OF THE ECONOMY ARE ADVERSELY AFFECTED. PERHAPS THE MOST SIGNIFICANT RE-AFFIRMATION OF THE POLICY WAS CONTAINED IN THE PRESIDENT'S LETTER OF 11 MAY TO MR WILBUR MILLS, CHAIRMAN OF THE HOUSE WAYS AND MEANS COMMITTEE, AT THE START OF THE COMMITTEE'S HEARINGS ON THE TRADE BILL (MY TELEGRAM NUMBER 27 SAYING). IN THIS LETTER, ADDRESSED TO AN AUDIENCE WHO MIGHT BE EXPECTED TO BE CRITICAL OF HIS EUROPEAN POLICY, THE PRESIDENT FORMALLY RESTATED HIS SUPPORT FOR ENLARGEMENT, WHILE EMPHASIZING THE HOPE THAT, IN THE PROCESS OF ENLARGMENT, DUE REGARD WOULD BE GIVEN TO THE COMMERCIAL INTERESTS OF THE UNITED STATES.

4. IT IS THESE INTERESTS WHICH, AS THE PROSPECT OF ENLARGEMENT GETS NEARER, HAVE BECOME MORE VOCAL IN THEIR CRITICISMS. AGRICULTURAL PRODUCERS ARE CONCERNED ABOUT THE EFFECT OF THE COMMON AGRICULTURAL POLICY AND, EVEN THOUGH THIS POLICY MAY NOT BE THE ONLY (OR EVEN IN EVERY CASE THE MAIN) CAUSE, ARE ABLE TO POINT TO A FALL IN E E C IMPORTS OF U S AGRICULTURAL PRODUCTS DURING THE LAST FEW YEARS. AMERICAN WHEAT GROWERS, IN PARTICULAR, COMPLAIN, WITH SOME JUSTIFICATION, THAT THE E E C'S SUBSIDIZED WHEAT EXPORTS ARE CUTTING THEM OUT OF THIRD MARKETS. U S INDUSTRY FORESEES THAT THE DEVELOPMENT OF GREATER EFFICIENCY ON THE PART OF THE ADVANCED TECHNOLOGICALLY BASED INDUSTRIES IN THE E E C WILL RESULT IN INCREASED COMPETITION BOTH IN EUROPEAN MARKETS AND IN 3RD COUNTRIES. ALTHOUGH, WITH FEW EXCEPTIONS, U S TRADE DOES NOT SO FAR APPEAR TO HAVE SUFFERED MUCH DAMAGE (IN FACT THE OVERALL FIGURES SHOW THAT THE REVERSE IS THE CASE), IT IS VERY WIDELY ASSUMED, IN INDUSTRIAL AND AGRICULTURAL CIRCLES, THAT IT IS ALREADY BEING ADVERSELY AFFECTED AND WILL BE SO STILL FURTHER AS A RESULT OF ENLARGEMENT.

5. THERE ARE, IN ADDITION, COMPLAINTS ABOUT THE BILATERAL PREFERENTIAL AGREEMENTS WHICH THE E E C HAS NEGOTIATED WITH MEDITERRANEAN COUNTRIES AND WHICH ARE ATTACKED AS BEING CONTRARY TO GATT. SIMILAR OBJECTIONS ARE HEARD AGAINST THE ASSOCIATION AGREEMENTS WITH FORMER DEPENDENT OVERSEAS TERRITORIES, WHICH ARE LIKELY TO BE INCREASED IN NUMBER ON OUR ENTRY BY EXTENSION TO THE TERRITORIES OF THE CARIBBEAN. ALL THESE AGREEMENTS INVOLVE NOT ONLY PREFERENTIAL TREATMENT FOR IMPORTS INTO THE COMMON MARKET BUT ALSO REVERSE PREFERENCES, IN FAVOUR OF E E C EXPORTS, IN THE TERRITORIES THEMSELVES. A FURTHER POTENTIAL SOURCE OF CRITICISM LIES IN THE NEGOTIATIONS ON THE FUTURE RELATIONS BETWEEN THE NON-CANDIDATE EFTA COUNTRIES AND THE ENLARGED COMMUNITY. THE U S POSITION ON THESE / IS NOT

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IS NOT YET DEFINED, ANY MORE THAN ARE THOSE OF THE COMMUNITY OR OF THE COUNTRIES THEMSELVES. DIFFERENT U S INTERESTS ARE LIKELY TO PULL IN OPPOSITE DIRECTIONS, BUT AT LEAST IT IS CLEAR THAT THERE WILL BE STRONG PRESSURE ON THE ADMINISTRATION TO RESIST ARRANGEMENTS WHICH PROVIDE THESE COUNTRIES WITH THE COMMERCIAL BENEFITS OF MEMBERSHIP WITHOUT THEIR HAVING TO ACCEPT THE POLITICAL OBLIGATIONS.

6. WITHIN THE ADMINISTRATION, THE SECRETARIES OF COMMERCE AND AGRICULTURE ARE INEVITABLY IN THE FOREFRONT OF THE CRITICS OF THE E E C. THEY MAY ALSO HAVE SOME SUPPORT FROM THE TREASURY, ON BALANCE OF PAYMENTS GROUNDS AND BECAUSE THEY MAY SEE THE E E C'S PROPOSALS FOR MONETARY UNITY AS CONFLICTING WITH U S POLICY ON

MORE FLEXIBLE EXCHANGE RATES. THERE HAVE BEEN SUGGESTIONS THAT THESE AGENCIES CONSIDER THEIR INTERESTS WERE NOT TAKEN SUFFICIENTLY INTO ACCOUNT WHEN THE 18 FEBRUARY POLICY STATEMENT WAS DRAFTED. THE FACT IS THAT, AS IS MADE CLEAR IN THE STATEMENT, THE PRESIDENT'S POLICY WAS DECIDED ON BROAD POLITICAL AND STRATEGIC RATHER THAN ON ECONOMIC GROUNDS. WE MUST EXPECT HOWEVER THAT, WITHIN THE FRAMEWORK OF THIS DECISION, THE ADMINISTRATION WILL TAKE VIGOROUS ACTION TO PROTECT U S INTERESTS. MOST OF THE AMERICAN COMPLAINTS HAVE ALREADY BEEN VENTILATED IN THE GATT OR IN BILATERAL CONTACTS WITH THE COMMISSION OR INDIVIDUAL MEMBERS OF THE SIX. INCREASINGLY, AS THE NEGOTIATIONS PROCEED, WE ARE LIKELY TO BECOME SIMILARLY THE RECIPIENTS OF U S REPRESENTATIONS. SOME OF THESE WILL BE ON ASPECTS OF EXISTING E E C POLICY FOR WHICH, AS MEMBERS OR POTENTIAL MEMBERS OF THE COMMUNITY, WE ARE BOUND TO ASSUME A SHARE OF RESPONSIBILITY. OTHERS WILL BE ON MATTERS WHICH ARISE IN THE COURSE OF THE NEGOTIATIONS AS THE ECONOMIC CONSEQUENCES FOR THE U S OF ENLARGEMENT BECOME APPARENT. I HAVE NO DOUBT THAT, IN CASES WHERE U S INTERESTS CONSIDER THEY ARE PARTICULARLY HARD HIT, THERE WILL BE PRESSURES, WHICH THE ADMINISTRATION MAY FIND IRRESISTIBLE, FOR RETALIATION. (WILBUR MILLS HAS RECENTLY REVERTED TO THE

/INIQUITIES

INIQUITIES OF THE E E C QUOTE BORDER TAXES UNQUOTE. HE TOLD ME IN CONFIDENCE EARLIER THIS WEEK OF HIS INTENTION OF ATTACHING AN AMENDMENT TO THE TRADE BILL PROVIDING FOR COUNTERVAILING DUTIES ON COMMUNITY IMPORTS INTO THE U S WHICH RECEIVE SUCH REBATES: IF SUCH A MEASURE MADE HEADWAY IT COULD RESULT IN A MAJOR ROW BETWEEN THE US AND THE COMMUNITY). THESE REPRESENTATIONS WILL BE MUCH PUBLICIZED AND, BECAUSE OF THE PRESIDENT'S DELIBERATE QUOTE LOW PROFILE UNQUOTE POLICY OF NON-INTERVENTION IN EUROPEAN AFFAIRS, MAY SOMETIMES GIVE THE IMPRESSION THAT A SHIFT IN U S ATTITUDE IS IMMINENT.

7. MOREOVER, ALTHOUGH AT PRESENT OPPOSITION TO E E C POLICIES AND CONCERN ABOUT THE POSSIBLE CONSEQUENCES OF ENLARGEMENT EMANATE MAINLY FROM GROUPS DEFENDING SPECIFIC COMMERCIAL INTERESTS, THERE IS SOME EVIDENCE THAT THEIR VIEWS ARE BEGINNING TO CRYSTALLIZE INTO A MORE CO-ORDINATED PATTERN OF OPPOSITION. IN PARTICULAR THERE IS SOME SUPPORT FOR THE VIEW THAT IN THE LONG TERM THE E E C MAY DEVELOP INTO A GIGANTIC TRADING AREA WHICH WILL EFFECTIVELY DISCRIMINATE AGAINST U.S. INTERESTS THROUGH A NETWORK OF SPECIAL PREFERENTIAL TRADING ARRANGEMENTS, PUBLIC PROCUREMENT PRACTICES FAVOURING MEMBER STATES, INDUSTRIAL POLICIES DESIGNED TO FOSTER ADVANCED TECHNOLOGY INDUSTRIES AT THE EXPENSE OF THEIR AMERICAN COMPETITORS, AND NEW STANDARDIZATION AND CERTIFICATION PROCEDURES WHICH WILL TEND TO EXCLUDE AMERICAN PRODUCTS. A NUMBER OF THOSE WHO THINK ON THESE LINES ALSO PROFESS TO BE DISAPPOINTED AT THE LACK OF PROGRESS TOWARDS POLITICAL UNITY IN EUROPE AND DRAW THE DEDUCTION THAT WHAT IS IN FACT BEING CREATED IS NO MORE THAN A PREFERENTIAL TRADING ZONE WHICH WILL NOT ONLY HARM AMERICAN AGRICULTURAL AND INDUSTRIAL INTERESTS, BUT WILL ULTIMATELY DESTROY EXISTING INTERNATIONAL UNDERSTANDINGS ON HOW MULTILATERAL TRADING SHOULD BE CONDUCTED. THIS PATTERN OF THINKING IS TO BE FOUND AT THE LOWER LEVELS OF SOME OF THE AGENCIES DEALING WITH INTERNATIONAL ECONOMIC RELATIONS AND MAY IN DUE COURSE HAVE SOME INFLUENCE AT HIGHER LEVES. NEVERTHELESS, IT IS STILL MY EXPECTATION THAT ANY ACTION WHICH THE U.S. ADMINISTRATION MAY CONSIDER IS NECESSARY TO TAKE IN DEFENCE OF AMERICAN INTERESTS WILL BE DIRECTED AGAINST MODALITIES AND INDIVIDUAL POLICIES OF THE E.E.C. AND WILL NOT IMPLY ANY REVERSAL OF THE BASIC U.S. SUPPORT FOR THE COMMUNITY AS THE INSTRUMENT THROUGH WHICH THE DESIRED GOAL OF EUROPEAN UNITY CAN BEST BE REALISED.

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8. IT FOLLOWS THAT A PRIMARY OBJECTIVE OF OUR DIPLOMACY IN THE U.S. (IF NOT THE OVERRIDING ONE) MUST BE TO REINFORCE THE PRESIDENT'S COMMITMENT TO THIS BASIC SUPPORT. THERE ARE, I BELIEVE, THREE THINGS WE CAN DO IN THE CONTEXT BOTH OF OUR BILATERAL RELATIONS WITH THE UNITED STATES AND OF HELPING THE PRESIDENT TO DEFEND HIS POLICY AGAINST CRITICS WITHIN THE ADMINISTRATION AND IN CONGRESS. THE FIRST IS THAT WE SHOULD TAKE EVERY OPPORTUNITY TO EMPHASIZE THE IMPORTANCE WE ATTACH TO MAKING PROGRESS WITH THE POLITICAL INTEGRATION OF EUROPE, INCLUDING CLOSER DEFENCE CO-OPERATION, ALONGSIDE THE ECONOMIC DEVELOPMENT, AND THAT WE SHOULD, MOREOVER, TRY TO ENSURE THAT SUCH PROGRESS IS SEEN TO BE MADE. THE SECOND IS THAT, DURING THE COURSE OF THE ENLARGEMENT NEGOTIATIONS, WE SHOULD MAKE IT PLAIN THAT WE RECOGNISE THE LEGITIMATE CONCERN OF U.S. TO ENSURE THAT DAMAGE TO THEIR INTERESTS IS MINIMIZED AND THAT WE ARE PREPARED TO DO WHAT WE REASONABLY CAN TO ACHIEVE THIS. I REALISE THAT, IN CARRYING OUT THIS SECOND RECOMMENDATION, WE SHOULD HAVE TO BE CAREFUL TO DISTINGUISH BETWEEN THOSE CRITICISMS OF COMMUNITY POLICIES AND ACTIONS FOR WHICH THERE MAY BE SOME JUSTIFICATION AND THOSE WHICH ARE SIMPLY ILL-INFORMED OR SELF-SERVING. THIS DISTINCTION MAY NOT ALWAYS BE EASY TO MAKE, STILL LESS TO PUT OVER TO THE CONGRESS, BUT AT LEAST WE MAY HOPE IT WILL BE APPARENT TO THE PRESIDENT AND PRINCIPAL MEMBERS OF HIS ADMINISTRATION. I REALISE HOW CAREFUL WE MUST BE IN PUBLIC UTTERANCES WHILE THE NEGOTIATIONS ARE IN PROGRESS. THE FACT, HOWEVER, REMAINS THAT THE MORE WE CAN MAKE THESE TWO POINTS IN PUBLIC, THE MORE WE SHALL GIVE THE PRESIDENT AMMUNITION WHICH HE CAN USE AGAINST OUR CRITICS HERE. THIRDLY, WE MIGHT CONSIDER THE POSSIBILITY OF PROPOSING TO THE SIX AND THE OTHER CANDIDATE COUNTRIES THAT WE SHOULD, AT AN APPROPRIATE STAGE, TOGETHER TAKE THE INITIATIVE TO DECLARE OUR SUPPORT FOR A FURTHER ROUND OF MULTILATERAL TRADE NEGOTIATIONS FOLLOWING ON ENLARGEMENT. THIS IDEA HAS BEEN SUGGESTED, IN CONFIDENCE, BY A MEMBER OF THE WHITE HOUSE STAFF WHO CONSIDERS THAT SUCH A DECLARATION WOULD EVOKE A BROAD AND POSITIVE RESPONSE IN THE U.S. AND WOULD HELP

/TO

WASHINGTON TELEGRAM NO. 1896 TO F.C.O.

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TO RE-ASSURE AMERICAN OPINION ABOUT LONG TERM TRENDS IN THE
COMMERCIAL POLICY OF AN ENLARGED COMMUNITY, DESPITE THE DIFFICULTIES,
I BELIEVE IT TO BE WORTH PURSUING.

F.C.O. PASS BONN, PARIS, BRUSSELS, ROME, UKDEL E.E.C., THE HAGUE
AND SAVING TO LUXEMBOURG STOCKHOLM VIENNA BERNE OSLO COPENHAGEN
HELSINKI AND DUBLIN.

MR. FREEMAN.

/REPEATED AS REQUESTED/

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Eu. Pd. June 70
P.A. 3
Am.
25/6
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SECRET

PRIME MINISTER

Europe: Negotiations with the European Economic Communities

These are the two submissions on Europe from Sir William Nield in the Cabinet Office which are referred to in Sir Burke Trend's note on urgent issues. They have been discussed with Sir Con O'Neill in the Foreign and Commonwealth Office.

The main question is whether we stick to the schedule of: -

✓
Formal opening meeting of the Ten on June 30;

First working meeting of the Seven on July 21.

Clearly the major difficulty of trying to change the meeting of the Ten for June 30 is that all the candidates are affected.

✓
If it is decided to stick to the schedule, you are asked to agree a programme for Ministerial consideration of the problem on the lines set out in paragraph 4 of Sir William Nield's second minute. As a first step, if wished, it would seem sufficient to establish at once the proposed small Ministerial group and go on from there after they have looked at the papers.

For convenience I have also put in the folder Command Papers 3345 and 4289 which are referred to in the main submission.

Am.

SECRET

June 20, 1970.

PRIME MINISTER

EUROPE

1. I have submitted separately our proposals for preparing and handling meetings with the Six on June 30 and, in outline, June 21. As background to that submission may I draw attention to two recent problems in the European scene which significantly affect the background against which the negotiations will be taking place. These developments are obvious in themselves, but together they do, I believe, have important implications for the policy and machinery of government in the United Kingdom.

2. First, the relationship of the United States to Western Europe has, of course, significantly altered in recent years, even months. In the sixties all European construction and negotiation was taking place under the umbrella of an American position which sheltered and favoured the process of European unification alike in the political, economic, and defence fields. Neither the capacity nor the will of the United States to maintain that shelter can any longer be taken for granted as much as in the sixties. The causes of this require no more than mention - external misadventures, external deficit, and internal tensions sufficient to be seen to have weakened both the capacity and the will of the United States to continue to carry out the burdensome role it carried in the sixties. Some degree of withdrawal from that role, and of greater consultation of its self-interest must be anticipated. Europe will proportionately have to do more to look after itself.

3. Second, during the sixties Gaullist France prevented not only the enlargement but also the development of the European Communities. It seems quite clear from all our considerable volume of evidence, overt and covert, concerning French policy, that the Pompidou regime sees the need to develop and integrate the Communities for both French and European reasons. The main evidence for this is of course the French initiative for The Hague Conference: the success of that conference, and the subsequent completion of the Community's agricultural and financing arrangements, and their current moves towards monetary, political, economic, and industrial harmonisation. There is thus the new element that a substantial

degree of such harmonisation, even if it is still not full union, may be achieved by 1980. The prospect of the emergence in Europe of such a consortium of powers, even if by 1980 it still falls short of a full confederacy, has clear implications for our own position. And it must be accepted that our bargaining power in relation to the Six has diminished with the passage of time.

4. These two prospects - the partial withdrawal of American support, and the increasing integration of a Community of Six, seem to imply that our European negotiations during the seventies will be of greater import for the future of the UK than those during the sixties. And the Community's development towards full monetary and economic harmonisation and their intention to require us to accept this as an objective, seem in the context of our debt repayment, sterling, and balance of payments obligations, ^{to} imply a formidable widening of the highly sensitive area of monetary and financial discussion. We have reason to believe that the French regard this area as the crux of the negotiations.

5. These considerations suggest that the crucial decisions in the European negotiations will more than ever need to be taken, and perhaps even negotiated, at Prime Minister, Foreign Secretary, and Chancellor of the Exchequer level. Moreover, the considerable increase in the volume and importance of monetary and economic negotiation foreseen above seems likely to require a closer degree of co-ordination than has perhaps hitherto been contemplated between the Foreign Office on the one hand and the Treasury on the other. In so far as the developments summarised in the early part of this minute become even more publicly apparent during the period of 18 months plus or minus which is likely to be required for the negotiations, the implications for our own conduct of the negotiations will become the stronger. It is not the purpose of this minute to elaborate on those implications, but rather to draw attention to them at the outset, as a background against which the separate and shorter term submission concerning the June and July meetings needs to be seen.

6. I am copying this minute to Sir Burke Trend and Sir William Armstrong only.


W A NIELD

19 June 1970

Econ. Pol. June 70

PRIME MINISTER

EUROPE

1. Very urgent decisions are required for the meeting of the Ten on June 30; and for these, some background may be required about the meeting of the Seven on July 21. This minute summarises where we now stand.
2. Our preparations are on schedule. We have ready a set of specific subject briefs, each giving all the factual information, together with recommendations as to our negotiating objectives and tactics. As Annex A shows, these cover all the major issues on which we shall need to negotiate, plus background briefs on the subjects we shall have to discuss, notably those on economic and monetary union: plus defensive briefs on subjects on the margin of negotiation.
3. For the June and July meetings, both of which will be one day or less, all these briefs will be needed for background rather than for use in negotiation. For the June meeting we have prepared a draft opening statement covered by a memorandum for the Cabinet: these are attached to this minute as Annex B. The opening statement and covering memorandum for the June 30 meeting have been cleared interdepartmentally, subject of course to changes Ministers may wish to make.
4. Ministerial consideration of these briefs will require, in order to be ready for the June and July meetings, a programme on these lines:-
 - a. June 22 (Monday) constitute a small Ministerial Group to consider by say July 14 and report to Cabinet on the briefs prepared by officials for the negotiations;
 - b. June 25 (Thursday) - Cabinet to take the covering memorandum and opening statement for June 30;
 - c. July 14 (Tuesday) Cabinet to take steering brief, and opening statement for July 21 (Tuesday).
5. The policy lines of the opening statement and its covering memorandum are those of the 1967 White Paper (ie Mr Brown's statement to Western European Union of 4 July 1967). This was in effect the British "opening statement" for negotiations which never got off the ground. The last

Administration confirmed recently that this statement remained the basis of their approach (it contained a saving clause making its general acceptance of Community decisions "subject ... to developments in the Community in the meantime.")

6. In the view of officials, it would be desirable if the new Administration were able to accept this statement of July 1967. It grew out of the renewed application of May 1967 to join the Communities, which Parliament almost unanimously supported. Officials have found it a comprehensive and flexible enough basis as renewed negotiations are approached. If an entirely new general statement of attitude were required, it might prove difficult to be ready for the first bilateral Ministerial meeting with the Community, now foreseen for July 21.

7. On this basis, officials believe that the best negotiating strategy for the early stages is that of bringing the Six to understand our various problems, above all that of the balance of payments, before making any positive proposals. This we think is both very necessary in itself, and also fits well with the impracticability of starting a serious and sustained dialogue until after the holidays. The tactical line is accordingly to suggest that the July 21 meeting should set up a number of joint working groups to make a start in studying the main problem over July to October when full Ministerial meetings may start up again.

8. This minute and its Annexes A and B cover the ground up to the June 30 conference; but they give only the barest indication of the policy content of the statement we should have to make at the following meeting of the Seven on July 21. Although, as already indicated, the policy content of that statement would need to be as much implicit as explicit, you will wish to know, for decisions about the June 30 conference, what implicit policy content there might be in the July 21 statement. For this purpose I attach Annex C, which is an inter-departmentally cleared summary of official recommendations as to what our negotiating objectives should be on each of the major issues. This summary takes no, repeat no, account of bargaining elements, ie whether and how far we should initially ask for more than we would really settle for. Its recommendations therefore concern what we should settle for and not what we should initially ask for.

9. With all its three Annexes this minute gives a comprehensive account of official advice on the opening of negotiations with the European Communities. There is here, I appreciate, a great deal of very important material with all too little time in which to absorb it. But, save perhaps for the background material at Annex C it is all urgent and essential. Should you so desire, we can quickly produce a first draft of the kind of opening statement and covering memorandum for the Cabinet which, if the general line suggested in this minute and annexes were acceptable, we should make at the July 21 meeting of the Seven: its policy content can however be inferred from the content of Annex C as limited by tactical considerations.

10. Early authority is sought to arrange a Ministerial programme on the lines suggested in paragraph 4 of this minute, or alternative instructions if you so desire; together with guidance whether the line exemplified in the draft opening statement and covering memorandum (Annex B) is acceptable.

11. A copy of this minute goes to the Permanent Secretary of the Cabinet, Sir Burke Trend, only. Copies of its three annexes in their final form as hereunder have been sent to my immediate colleagues in the Foreign and Commonwealth Office, Treasury, Board of Trade, Ministry of Agriculture, and Ministry of Technology.



W A NIELD

19 June 1970

LIST OF BRIEFS ON THE EUROPEAN NEGOTIATIONS

I. BRIEFS ON MAJOR ISSUES IN THE 1967 and 1970 WHITE PAPERS

Adjustments to Community Treaties and Institutions

Transitional Arrangements

European Coal and Steel Community

Euratom

Other Agricultural Issues (ie issues other than agricultural financing, transitional periods, sugar and dairy products)

Community Financing

Sugar (Home and Commonwealth)

New Zealand Dairy Products

Other Commonwealth Issues (other than New Zealand Dairy Products and Sugar)

Capital Movements

Derogations from the Common External Tariff

Value Added Tax

II. BRIEFS ON SUBJECTS THE SIX WILL WANT TO "DISCUSS" WITH US

Steering Brief on Financial and Monetary Questions

Sterling and the Economic Community

Economic and Monetary Harmonisation

Community External-Financial Policy

United Kingdom Indebtedness

European Investment Bank

Common Commercial Policy

Regional Policies, including aids to UK Industry *

III. "FRINGE" SUBJECTS

Channel Islands and the Isle of Man * (a problem!)

Free Movement of Labour and Immigration *

Cotton Textiles

Community's Industrial Policy *

IV. SUMMARIES

Opening Statement and Covering Memorandum for June 30

Opening Statement and Covering Memorandum for July 21 *

Summary of Negotiating Position

NOTE: Those briefs marked * are well advanced but not
finalised: the rest are finalised.

NEGOTIATIONS WITH THE EUROPEAN ECONOMIC COMMUNITIES

INAUGURAL CONFERENCE OF THE TEN ON 30 JUNE 1970

Draft Memorandum (to be presented by a senior Minister) for Ministers

1. The Council of Ministers of the European Economic Communities, in accordance with the agreement they reached at The Hague Conference in December 1969, have invited the 4 countries who have applied for membership to open negotiations with them at a Ministerial conference on 30 June at Luxembourg; and have invited Her Majesty's Government to a Ministerial Conference on the afternoon of 21 July in Brussels. Our position was stated in our Election Manifesto as follows -

"If we can negotiate the right terms, we believe that it would be in the long term interest of the British people for Britain to join the European Economic Community, and that it would make a major contribution to both the prosperity and the security of our country..... But we must also recognise the obstacles. There would be short term disadvantages in Britain going into the European Economic Community, which must be weighed against the long term benefits. Obviously there is a price we would not be prepared to pay. Only when we negotiate will it be possible to determine whether the balance is a fair one, and in the interests of Britain".

2. Our predecessors set out the issues on which they wished to negotiate in the 1967 statement to WEU (Cmd 3345) and underlined the importance of the balance of payments issues in the 1970 White Paper (Cmd 4289). These issues are, by and large, those on which any Government would have to negotiate, because they concern the vital changes in our domestic arrangements and our external relations which membership of the Communities would entail. But we shall need to formulate our own approach to these issues: and to see that the Six understand that approach and the considerations underlying it. In my judgement, therefore our best course at the outset of the negotiations will be to have a preliminary period in which we explore our main problems with the Community, refraining ourselves in this period from proposing solutions to our problems.

3. The Conference of the Ten on 30 June is generally intended to be largely a ceremonial occasion to mark the opening of negotiations. It is expected that all 4 applicants will wish to make statements about their applications for membership and the future of Europe, and these statements together with the responses of the Six may be expected to take up the greater part of the formal sessions of the single morning available for the conference. The other applicants, Denmark, Norway and the Republic of Ireland, may express their wish for some appropriate linkage between their negotiations with the Communities and our own, and we must do our best to satisfy them with the assurances we and the Six can give them on this point.

4. Similarly there will not be time at our own meeting with the Six on 21 July for much discussion of substance. The Six will expect us to indicate the main areas in which we wish to negotiate with them and the procedures we envisage for carrying forward these negotiations. We need not and should not propose solutions to our problems. The Six themselves, whilst reaffirming the need for the Communities to have a single negotiating position, and the sanctity of their Treaties and the decisions made under them, have to a considerable extent postponed the formulation of set Community positions on specific subjects until they have been informed of the positions of the applicants. The meeting is therefore likely to consist of our own statement, and of a limited amount of questioning on it, together with a discussion of the necessary business arrangements - ie agreement on negotiating procedures and timetables and similar matters. Our main objective must be to secure the establishment of a number of working groups to get on with factual studies of priority questions.

5. There is not likely to be a further meeting at Ministerial level before October. A meeting at deputy level shortly after 21 July might be agreed to make the detailed arrangements necessary to give effect to the procedural decisions of the Ministerial conference, notably to set up the appropriate working groups and to arrange for them to make a start on such work as can be carried on during the holiday season. A further meeting at deputy level in the middle of September might then be held to review progress and consider arrangements for a further Ministerial meeting, probably early in October. Such a timetable would give us a useful opportunity after the summer holiday to review our own position more fully in the light of any developments in the interim.

SECRET

6. The preparation of briefs for the negotiations has been completed at official level, but they will need Ministerial consideration during the next 3 weeks. The most urgent task however is for my colleagues to consider a draft of the opening statement to be made at the inaugural conference of the Ten on 30 June, which is attached to this memorandum. For the reasons I have given, it would be unnecessary and inappropriate for this statement to contain specific and positive proposals for solutions of negotiating problems though we shall need to state the issues on which we wish to negotiate, and give some indication of our broad position on each of them. And it is important presentationally that we should effectively reaffirm the attitudes we have already taken up towards the enlargement of the Communities and state our attitude towards the relationship of the enlarged Community to our Commonwealth and EFTA partners and to third countries. On that basis I invite my colleagues' consideration of it: it will of course need to be prefaced by the usual courtesies notably to the Presidents of the Council of Ministers and of the Commission whose terms of office expire on 30 June.

7. We shall be represented at the conference of the Ten by the [here include our Ministerial representation]. The only area in which we may foreseeably have to enter into significant discussion is that already referred to, namely the link between our negotiations and those of the other applicants. On this, our predecessors proposed to our EFTA and Commonwealth partners comprehensive arrangements for keeping them informed of the progress of the negotiations, and those arrangements have been generally agreed by our partners. Our predecessors also, at the EFTA Ministerial Council in May, formally affirmed our desire to preserve the free trade which has already been established between EFTA countries. If the other EFTA applicants and the Republic of Ireland press us, we shall need to make clear that we recognise that it may be necessary to conclude one aspect of these negotiations (institutions) jointly with all the candidates.

8. We should not go further than this. Indeed it will clearly not be possible to do so without the agreement of the Six, whose general view, including that of the French, appears to be the realistic one that negotiations with the other applicants (and a fortiori discussions with the non-applicant EFTA countries) will have to be conducted in parallel with but somewhat in the wake of, the negotiations with the United Kingdom. The Six have accordingly made dispositions for first Ministerial meetings with the other applicants during September and with the non-applicant countries thereafter.

9. If the statement and the foregoing general line about the link between our negotiations and those with other EFTA countries are generally acceptable, there is no need for us to meet to consider supplementary briefing for the 30 June meeting, since our object in Luxembourg will be to avoid going into matters other than those in the statement to which I have just referred.

10. As regards the 21 July meeting, at which we shall need to establish Working Groups in which the Six can be brought to a full understanding of our problems, I have arranged for the negotiating briefs prepared by officials to be considered by a group of the Ministers most closely concerned, and for the Chairman of this Group to submit to the Cabinet a report, including an opening statement and a steering brief for the 21 July meeting, for consideration in good time for the meeting of the Seven on 21 July.

11. I invite my colleagues to agree that at the 30 June Conference of the Ten our representatives should -

- a. make an opening statement on the lines of the draft annexed to this memorandum;
- b. be guided in any discussion at Luxembourg, by the general lines of this memorandum.

ANNEX - OPENING STATEMENT FOR 30 JUNE

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1. When the founder members of the European Economic Community signed the Treaty of Rome, they called on the other peoples of Europe, linked to them by ties of history and perhaps of destiny, to join in their efforts to create an even closer European union. In July 1961 the British Government of the day answered that call. The hopes set on that response were disappointed. On 10 May 1967 the last British Government applied to join the 3 European Communities: the following July, they said "unless Europe is united and strengthened she will not be able to meet the challenge of the world today". Now there is a new Government in Britain, and our determination to join the Communities as full members on fair terms, and our belief in the need for a united and strengthened Europe, is proved by our presence here today.

2. Our reasons for seeking to join the Communities remain what they have always been - we are by our geographical position and our history a part of Europe. What threatens us, threatens Europe: and what threatens Europe is a threat to us. But these reasons for European unity have become increasingly urgent in the last decade. The world in which we all live has become more dangerous; and Europe's influence in it the less for her failure fully to unite. If we are to give the next generation in Europe, or even preserve for ourselves in the next decade, the security and the opportunities we could have, but at times have seemed ready to throw away, we must increasingly unite.

3. The objectives of the enlargement of the Communities as we saw them and still see them are therefore the security and prosperity of our peoples and their ability to work from this base for a more secure, prosperous and humane world.

4. Europe's political and economic interests are inseparable. Our place in the world will be largely determined by the growth of our resources and the pace of our technological development. And economic growth and technological development today require that we unite our economies and our markets.

5. An increasingly strong and united Europe remains Britain's objective today, as it does yours. Such a Europe must, of course, take full account of the views of its friends and allies in other parts of the world. But let none of us who are taking part in these negotiations lose sight of our common objective of European unity. And let none who are not taking part think it could be in their interest that we should fail to achieve that objective. For given this base, we can not only hope for, but more effectively work for a closer and more fruitful relationship between East and West. We can do more to promote the growth of international trade. And we can make a fuller European contribution to solving the problems of less prosperous countries.

6. These are the reasons why Britain wants to join you. We want to prosper with you. But we do not seek prosperity for Europe alone, any more than you do. We believe with you that Europe still has its contribution to make beyond its own frontiers and we believe that Europe cannot make its full contribution unless the Communities are enlarged to include Britain.

7. We warmly welcome the decisions of the Governments of Denmark, the Irish Republic and Norway to apply to join the Communities. We also believe that a number of European countries which do not join the Communities as full members will have a valuable contribution to make to many of our common objectives, and that it will be in the interest of all of us that these countries should find a mutually satisfactory relationship with the enlarged Communities.

8. Successive British Governments have accepted the 3 treaties establishing the 3 Communities, and all their aims and obligations, subject only to the adjustments which are required to provide for the accession of a new member. The most recent statement on this position was that of our predecessors in office in July 1967. That statement went on to say that apart from the questions which we wished to see covered in negotiations, Britain accepted the regulations, directives and other decisions taken under the treaties, subject only to transitional periods, and, of course, to developments in the Community in the meantime.

9. This still stands. The list of questions which we wish to see covered in negotiations remains the same. For EURATOM and the European Coal and Steel Community we seek only a very short transitional period. Adaptation to the obligations of the European Economic Community will require more time than that, though here too I hope it can be agreed to move as soon as possible in each individual case to full application of the obligations of membership. We shall need to discuss with you solutions to our main problems: certain agricultural policy questions; our contribution to Community budgetary expenditure; Commonwealth sugar exports; New Zealand's special problems; and certain other Commonwealth questions.

10. But events have not stood still in the last 3 years. In the field of Community budgetary arrangements these developments have made the problems facing our membership more difficult. As you know, our predecessors had looked forward to taking part as a full member in the negotiation of the financial arrangements for the period after the end of 1969. Had we done so, the resulting agreement would, I am confident, have made fair provision for us as it has for each of the existing members of the Communities. But we were not party to your agreement. And the arrangements which must in any case be agreed to enable a new member to take part in the budgetary provisions of the European Communities will constitute one of the crucial elements in the negotiation on which we are embarking. When the European Commission gave its Opinion on our candidature in September 1967, it was recognised that the existing financial arrangements would, if applied to Britain, "give rise to a problem of balance in

sharing of financial burdens". The new decisions have for us made that problem of balance more severe. We must together find a solution to this problem which will be fair and sound for the enlarged Community and for all its members. For unless such a solution is found, the burden on the United Kingdom would become intolerable and no British Government could contemplate joining. Moreover, the basis of stability and confidence, and the community of interest which will be essential to the further development of the Communities will be lacking.

11. For the Communities must develop further. We have studied carefully the Communiqué which was issued after the meeting of Heads of State or Government of the Six in The Hague last December. I can say without hesitation that our ideas for the future development of the Communities are very much in line with yours. As has been stated before by a British Government, "if the Community is to be true to the spirit of the Treaties which established it the Community's institutions will develop and its activities will extend to wider fields beyond the activities covered by the existing provisions of the treaties. We believe that Europe can emerge as a Community expressing its own point of view and exercising influence in world affairs, not only in the commercial and economic but also in the political and defence fields. We shall play our full part in this process." We welcome the moves which you have undertaken towards closer economic and monetary integration. We acknowledge the decisive importance of such integration to the Community's development. In other aspects of economic union, we shall also want to see further progress. Indeed we ourselves would wish to lay particular stress on the need for this in 3 fields. We want to work with you in the evolution of industrial policy, which should be a most important part of the Community's future development. We want to join our experience with yours in the field of regional policy. We are already engaged with you and others in work on a number of studies in the field of technology. These can be developed further and faster once the Communities have been enlarged. We shall work for the continued development of effective institutions, and we shall support more democratic control by a European Parliament of the activities covered by the treaties.

12. In all this, we have the same essential interests and aims as you have. We have accepted the Treaties and their political objectives. But it is not simply a question for us of accepting what you have done or what you plan to do. We shall have our own ideas to contribute. As the Commission recognised in its Opinion of last October, the accession of the candidate countries will be of great value for the Communities both in their internal development and in the exercise of increased responsibilities in the world.

13. I have referred to the main points which we wish to see covered in negotiations. For the rest, wherever we can, I suggest we should settle the smaller problems after our entry into the Communities and so in accordance with your procedures. We hope that negotiations can be kept short and confined to essentials. The list of problems today is no longer than it was in 1967. And I notice that the problems which you have been discussing for the last 6 months in preparation for these negotiations are very much the same as ^{were} ~~was~~ set out in 1967. We regard these problems as common problems for us and for you - how to enable an enlarged Community to function most effectively for the advantage of all. Let us look together, in the spirit of the Community, for solutions which in the words of the Commission's Opinion of 1969 will ensure the cohesion and the dynamism which will be indispensable in an enlarged Community.

14. I hope that we shall have an opportunity later today to agree on the procedures for continuing these negotiations. After waiting so long, we must now lose no more time. We shall be prepared to meet whenever you are ready to meet, as often as you wish and for as long as you can.

15. Mr Chairman, we believe with you that the continuing interests of our Continent demand an ever closer union among the European peoples. Together, we now - at last - have the opportunity to realise this goal. We have the same defence interests; our political interests are growing every day progressively closer. As we develop new policies together we shall find it natural to develop the institutional machinery which

we shall need to execute these policies in all fields. But as the British Government has said this is not just a matter of economics and politics. The history and culture of our Continent are the birthright of us all. We have all contributed to it and we all share it. The vision which the founders of the Communities set before Europe was a generous vision for Europe as a whole. We share that vision. Our wish to join you derives from the sentiment which, as Europeans, we all share and from the idea we have of the part our Continent should play in the world. If we can together succeed in the negotiations now begun, our future and that of our children will be transformed. This is the overriding interest of all the countries represented here. So let none of us spare any effort in these negotiations. Inspired by goodwill and united by so many aims and hopes and interests, we can and must succeed.

16. Mr Chairman, in view of the historic importance of this meeting I am arranging for the text of my statement to be made public in the United Kingdom.

Entry into the European Communities: Summary of
the recommended Negotiating Position

1. The success or failure of our forthcoming negotiations with the Six on our application for membership of the European Communities will depend on whether it is possible to reach satisfactory solutions to a relatively small number of major issues. These are the same broad issues as were mentioned by the then Foreign Secretary in his statement to the WEU in July 1967 (Cmd 3345). The most important change in circumstances since then is that the Six have agreed definitive financial regulations for the provision of revenue to cover Community expenditure, mainly on agricultural support. In 1967 we hoped to become members of the Community in time to participate fully in the negotiation of definitive financial arrangements. We now have to reckon with the existence of regulations, which, if they were applied to us without modification, would place a wholly unacceptable burden upon us.

2. In our preparations for the negotiations we have given priority to the following issues which are discussed in turn in the remainder of this note -

The costs to our economy and balance of payments, and the vital issue of Community finance (paragraphs 6 to 11 below).

New Zealand (paragraphs 12-15).

Sugar (paragraphs 16-22).

Other Commonwealth trade issues (paragraphs 23-29).

Certain domestic agricultural questions (paragraphs 30-36).

The Common External Tariff (paragraph 37).

Capital movements (paragraphs 38-39).

The ECSC and Euratom (paragraphs 40-41).

Transitional arrangements (paragraphs 42-44).

The purpose of this note is to provide a relatively brief guide to the approach officials recommend to the negotiations on these issues. In order to keep it even to its present length a great deal of compression and simplification has been necessary and it should be regarded as an introduction to the detailed briefs prepared on each issue and not as a substitute for them.

3. The issues discussed in this note will, so far as can be foreseen at present, be dominant in the negotiations. We know that in their preparations, the Six have drawn up a list of problems requiring consideration which is almost identical to our own. Thus in the early stages it should be possible to concentrate on these issues and our general approach should be to begin by explaining in detail to the Six the problems as we see them, with the aim of arriving at broad agreement with them on the nature of the difficulties which have to be resolved. Our own provisional solutions to these difficulties are set out in this note, but we shall, of course, want to review them in the light of these initial exchanges with the Six.

4. We must also naturally anticipate that other issues may arise as the negotiations progress. We are already preparing defensive briefing on a number of subjects - for example commercial, industrial and regional policy and aids to industry - on which the Six may wish to put questions to us. We also know that the Six already have it in mind to discuss with us - though not on present form to negotiate about - certain monetary and financial questions including our balance of payments prospects and the role of sterling.

5. In addition, we may ourselves find that developments during the negotiations, particularly within the Community itself, may make it necessary to add to our list of subjects for negotiation. There will, of course, be a wide range of subjects where membership of the Community would have implications of one sort or another for our existing policies and practices and where technical discussions will take place in order to clarify the situation. On some of these we will have problems which we would almost certainly wish to discuss with the other members of the Community soon after our entry. As far as we can judge at present, however, none of them raises points of such difficulty that we shall need to negotiate about them before entry.

Balance of Payments Costs of Membership

6. The short-term, or "impact" effects of our entry into the EEC which will build up gradually over a transitional period of 5 years or so, will be unfavourable to our balance of payments. There are a number of reasons why this should be the case. Firstly, on trade in industrial goods we shall be losing the preferences we still enjoy in some Commonwealth markets and we shall have to share with the Six our existing preferences in the other EFTA countries and the Irish Republic; and while we shall be gaining easier access to the markets of the Six, they will equally be gaining easier access to the British market. Moreover, the substantial increase in food prices here is likely to be reflected in increased wage costs and thus in some weakening of our competitive position in world markets. Secondly, our acceptance of the Common Agricultural Policy will cause a significant increase in our food import bill, where imports we at present obtain at world prices are replaced by imports from other members of the enlarged Community at the substantially higher CAP prices. Thirdly, we shall be obliged, subject to certain safeguards in the Rome Treaty, to relax our restrictions on the export of capital to other member countries whereas those other countries already have few effective restrictions on the export of capital to us. Finally, and most serious, we shall be expected to make a substantial net contribution to the Community's finances.

7. In time, we would expect the "dynamic" effects of our membership at least to offset these unfavourable impact effects provided our contribution to the Community's budget is kept within reasonable bounds. Our entry into the Community will provide a powerful stimulus to the efficiency and competitiveness of British industry and should enable us to achieve a significantly faster rate of economic growth. But our chances of achieving these "dynamic" benefits would be seriously impaired if the "impact" effects of joining were to cause us severe balance of payments difficulties with all their repercussions on economic growth and confidence. The crux of the whole negotiations must therefore be to seek to limit the cost to our economy and to the balance of payments to tolerable proportions, and to delay its impact.

The Community Financial Regulations

8. Of the various factors mentioned above which are likely to have an unfavourable influence on our balance of payments all but one must be regarded as largely unavoidable consequences of our entry. Only in the

case of the recently agreed Community financial regulations do the negotiations hold out the prospect that we shall be able to reduce substantially the burden that we should otherwise face. The details of the regulations are very complicated. Basically, however, the Six have settled each member's contribution for 1970 according to a fixed percentage key and have provided for a system of correctives from 1971 to 1977 whereby no country's share of the total can vary at more than a fairly small rate from that fixed for 1970. From 1978 onwards, however, there will be no further correctives and member countries will hand over to the Community 90 per cent of the proceeds of both their customs duties and their levies on agricultural imports, together with the revenue of a value-added tax of up to 1 per cent. We have calculated that if these arrangements were applied to us without adjustment, we would by the end of the 1970s be paying more than £500 million per annum into the Community's finances and receiving in return much less than £100 million as our share of the various forms of Community expenditure. Our first major objective in the negotiations will be to convince the Six that such a huge transfer of resources from the United Kingdom to the Community would be inequitable and intolerable. The Commission have themselves stated that one purpose of the last round of negotiations in December 1969 was to correct certain glaring inequalities that had been developing and to ensure that the financial burdens of the Community were allocated in a way which corresponded more closely with criteria based on the national product of each member state. Thus we shall certainly be able to argue that it would be fully in accordance with the basic principles that have been observed in the Community so far for adjustments to be made in the financial regulations with the aim of sharply reducing our net contribution.

9. On the other hand, we have to recognise that, just because the existing financial regulation is the result of a long process of often hard-fought compromise between the Six, they would not be willing to re-open the whole financial question ab initio. We also have to accept that the existing form of the financial arrangements is already firmly established and has its own attractions as appearing to provide the Community with clearly identified sources of revenue which arise from the basic operation of the Community itself. If we are to have any hope of success in the negotiations, we shall have to accept the present financial system in principle and seek suitable modifications in its application to us; we cannot expect to be successful if we argue for an entirely new system.

10. We therefore propose that in the early stages of the negotiations we should explain to the Six in considerable detail the assumptions and calculations which have led us to conclude that their existing financial arrangements would place an intolerable burden on us. Our aim would be to get the Six to recognise that a serious problem exists for which solutions must be sought. We would hope that possible solutions might begin to emerge from these discussions. We have, however, suggestions of our own for adapting the financial regulation in ways which could make its application to us acceptable without requiring any significant changes in the underlying principles of what the Six have already agreed for themselves.

11. Our fundamental objective would be to seek arrangements which would reduce our contributions to Community funds to a minimum and prolong the period during which they built up. This we would aim to do by negotiating as low a "key" for our contributions as possible (the key would set a maximum limit on the share of the Community's budget which we could be called on to contribute). We would propose that our contributions should gradually build up to this "key" figure during the course of the transitional period agreed for our adaptation to the Common Agricultural Policy and that over a period much longer than the transitional period the growth in our share of total contributions would be strictly limited by reference to this key. We should point out that by 1978, when the Community's definitive arrangements finally become effective, 16 years will have passed since the Common Agricultural Policy first came into operation, and argue that we should be allowed a similarly long period to adjust to the Community's financing arrangements. We should also insist that there should be a full-scale review of the position in the 1980s towards the end of the period during which limitations of our contributions were being applied. During this period we would be able to use our influence as members of the Community to help to steer its policies in directions in which most of the existing members wish to see them move and which would make the total cost, and therefore our share of it, tolerable to us by the time the special limitations were due to come to an end. The proposed review would itself serve the same purpose. If, however, in the last resort, we were faced with the prospect of a large and unreasonable rise in our contributions, it is inconceivable that at that stage, when we should already be firmly established members of the Community, our partners would force us into a position where we should just have to refuse to pay.

21. We have to recognise that the Six will be very reluctant to waive their own expectations in the United Kingdom market and to agree that the Commonwealth imports should be admitted on a levy-free (or reduced levy) basis. They themselves made no special arrangements for certain former French Colonies who were sugar exporters, although French Overseas Departments who produce sugar benefit to the full from the CAP provisions. They would probably resist in particular any proposal that special arrangements for the developing Commonwealth countries should be permanent. However, we should seek to ensure that the arrangements had the declared aim of avoiding damage to the economies of the developing Commonwealth countries concerned and were in principle of indefinite duration. We could agree to the arrangements being subject to review with the first review at the end of our agricultural transitional period, but we should seek to establish that reviews of the arrangements were conducted having regard to the arrangements' declared aim. If consistently with this aim the enlarged Community wished at such a review to change the arrangements, a minimum of 5 years' notice would be required unless the Commonwealth countries concerned agreed otherwise.

22. We also have to recognise that arrangements along the lines outlined above, which represent the maximum concessions we consider it possible to hope for from the Six, would be unpalatable to the Commonwealth Governments concerned. Although they could be expected to welcome the maintenance of their export earnings in the United Kingdom, the reduction in the volume of their sales to the United Kingdom would leave them with sugar surpluses for which other outlets might be impossible to find, and they would probably find it very difficult politically to take steps to cut back production and employment, particularly if our own beet sugar industry was simultaneously being allowed to expand.

Other Commonwealth Trade Issues

23. In 1961-63, a major part of our negotiations with the Six was concerned with seeking special safeguards for Commonwealth trade interests. Developments since then, however, have tended to make these problems much more manageable. In particular, most Commonwealth countries have considerably broadened their trade links in the past decade; as a result between 1959

New Zealand

12. It has long been recognised that our entry into the EEC might do serious damage to the New Zealand economy. Efforts have been made in recent years to diversify New Zealand's economic interests, both by developing new export markets and by enlarging her industrial and service sectors. These have met with some success, so that Britain took only 39 per cent of New Zealand's exports in 1963-69, compared with 45 per cent in 1965-66; while butter and cheese now account for only 16 per cent of New Zealand's export earnings as against 22 per cent a decade ago. Nevertheless, unqualified acceptance of the Common Agricultural Policy by the United Kingdom would mean squeezing out of the United Kingdom market the 90 per cent of New Zealand's butter exports and 80 per cent of her cheese exports which at present come here. It would therefore have very damaging consequences for New Zealand, both by causing a marked drop in her export earnings, which would in turn affect our own substantial exports to New Zealand, and by sharply reducing incomes and employment in her important dairy farming industry. We have made it plain over the years both to New Zealand and to the Six that in our view special arrangements will be required to mitigate these consequences.

13. New Zealand's main exports to us are wool, mutton and lamb, and butter and cheese. Of these, wool would be unaffected by our entry into the Community, as the Common External Tariff on wool is zero. There are no market regulations under the Common Agricultural Policy affecting mutton and lamb and imports simply pay a tariff of 20 per cent. New Zealand producers should readily be able to surmount a tariff of this size and continue to send their present volume of exports to the British market, as meat prices generally here are likely to rise by at least 20 per cent as a result of the impact of the CAP on the supply of beef and pork. (Indeed, unless prices rise, our domestic producers of mutton and lamb will be in difficulties, as they are likely to lose about 20 per cent of their present return on sheep as a result of the ending of deficiency payments and the wool guarantee.) The New Zealand Government is concerned that the Six might adopt market regulations on mutton and lamb which would have a more restrictive effect on her trade. If there were clear signs of such a development, we should have to consider our negotiating position afresh.

14. Thus, as things stand, it is only on butter and cheese that real difficulties arise, and our problem will be to find a way of meeting New Zealand's interests while keeping the additional cost to our balance of payments to a minimum. The New Zealand Government will press us to negotiate arrangements which would enable them to maintain permanently the present volume of their exports to Britain. Any such arrangements would, however, appear very unattractive to the Six, as they would leave very little scope for any increase in exports of dairy products from the other members of the enlarged Community to Britain and production of these commodities in the rest of the Community will continue to be in heavy and expensive surplus. It therefore seems more realistic to set as our negotiating objective the maintenance of New Zealand's export earnings from dairy products and to seek arrangements under which substantially reduced quantities of butter and cheese were admitted to the British market free of levy, so providing New Zealand producers with much increased prices. The cost to our balance of payments of a solution along these lines would be little different from the cost of maintaining the full volume of New Zealand's exports and paying over the levies to the Community. The New Zealand Government would, however, regard the maintenance of their export earnings in this way as very much a second-best solution, as it would leave them with the problem of either disposing of large quantities of butter and cheese in new markets (which would probably prove extremely difficult, if not impossible) or of taking special measures to facilitate the movement of dairy farmers into other occupations.

15. It is also unlikely that we shall be able to satisfy the New Zealand Government's wish that any special arrangements negotiated for their butter and cheese exports should be of indefinite duration. Indeed, the Six are likely to insist that any special arrangements should gradually be phased out over a fixed period, leading eventually to normal third country treatment for New Zealand. Our aim will be to obtain arrangements which will maintain New Zealand's earnings at their present level for some years beyond the end of transitional period agreed for our

and 1969 the Commonwealth share of our imports fell from 35 per cent to 23 per cent and of our exports from 36 per cent to 22 per cent. We now take only 10 per cent of the exports of the developed Commonwealth and only 16 per cent of those of the developing Commonwealth.

24. Nevertheless, our unqualified entry into the Community would still create serious problems for certain Commonwealth countries in certain fields. Because of our long-standing links with these countries and in the interests of our continuing export trade with them, we have said that we shall seek satisfactory solutions in the course of the negotiations. The special issues of New Zealand's exports of butter and cheese, and of the developing Commonwealth sugar producers have already been dealt with. In addition, there are several other points we shall want to raise with the Six.

25. Perhaps the most important of these concerns the eligibility of certain Commonwealth countries to apply for association with the Community under the YAOUNDE Convention. The Convention is due to be renegotiated before 1975, but it will almost certainly continue to offer a preferential trade relationship with the Community which would be advantageous to these countries. We should therefore seek to confirm that the Six are prepared to renew their offer of association (made in the 1961-63 negotiations) to the independent Commonwealth countries in Africa, and the Caribbean, to Mauritius, Western Samoa, Fiji and Tonga (and to all our remaining dependent territories except Hong Kong and Gibraltar (see paragraphs 27 and 28 below)). These countries would then be given an opportunity to take part in the re-negotiation of the YAOUNDE Convention and we would expect our existing trade relationships to remain undisturbed until the new Convention came into force.

26. Association was not considered in 1961-63 to be a suitable answer to the problems of the Asian Commonwealth countries, but the Community provisionally agreed that comprehensive trade agreements should be negotiated with India, Pakistan and Ceylon with the aim of maintaining, and if possible increasing, their foreign exchange earnings. The position of these countries, and of Malaysia, Singapore and Brunei, is now very much bound up with the outcome of the protracted negotiations in UNCTAD and the OECD for the introduction by the developed countries of a generalised preference scheme to benefit the developing countries. In these circumstances our aim will be to secure the Six's agreement to review the position of the Asian Commonwealth countries in the light of whatever is eventually decided concerning the generalised preference scheme, taking account of what was provisionally agreed for them in 1962. On a particular point, we should also aim to have the Community's tariff on tea bound at nil (the duty is at present suspended).

gradual acceptance of the Common Agricultural Policy generally, with provision for review of subsequent arrangements. It is, of course, more likely that the Six would be prepared to delay the phasing out of arrangements designed to maintain New Zealand's earnings than arrangements which sought to preserve the existing volume of New Zealand's exports.

Sugar

16. There are a number of developing countries and territories in the Commonwealth whose economies are heavily dependent on sugar. They have benefitted considerably over the last 20 years from the Commonwealth Sugar Agreement, which we are contractually bound to continue until the end of 1974 and under which they have exported the bulk of their production to Britain at very favourable prices. Domestic sugar beet production has meanwhile been restrained by strict acreage limitations. (Australia has also been a beneficiary under the Commonwealth Sugar Agreement, but we do not propose to seek special arrangements for her from the Six. The general position of Australia is discussed in paragraph 29 below.)

17. Under the Common Agricultural Policy, sugar prices have been set at very high levels, and, although quota arrangements have been maintained in an effort to restrain production, substantial surpluses have developed. It is our judgment that there is little immediate prospect of effective action being taken to reduce prices and production in the enlarged Community (previous attempts by the Commission to do so have completely failed). The Six's aim in the negotiations will therefore be to seek maximum outlets for their surplus sugar in the British market. We shall have to resist their efforts, both in order to defend the interests of Commonwealth producers and in our own balance of payments interests.

18. We shall, however, face an awkward dilemma in the negotiations. There is no doubt that at Community price levels and on the basis of the Six's existing quota arrangements, there would be scope for a big expansion of domestic sugar beet production. Such an expansion would be one of the few opportunities open to us to make significant balance of payments savings which would partially offset the heavy balance of payments costs of our entry. (Every additional ton of home-produced

sugar which saved importing a ton of sugar from the rest of the Community would save the balance of payments about £55.) But the Six will naturally look as a whole at the arrangements made for United Kingdom production and imports from the developing Commonwealth, so that the more we get for one, the less they will accept for the other.

19. We shall have to strike a balance between these conflicting considerations. We could best serve our balance of payments and agricultural interests by seeking the maximum possible increase in United Kingdom beet production while meeting as much of the remainder of our requirements as possible by importing a reduced volume of Commonwealth sugar at an increased price, so maintaining the export earnings in the United Kingdom of the developing countries and territories concerned. (It will also be in our balance of payments interests to meet as much of our import requirement as possible with raw Commonwealth sugar rather than refined Community sugar.) We would aim to negotiate a production quota which would permit an increase in United Kingdom production of at least $\frac{1}{2}$ million tons. This would leave room for imports of just over 1.3 million tons and even if the Six were prepared to let us obtain the whole of this quantity from the developing Commonwealth, there would have to be some scaling down from the present quotas under the Commonwealth Sugar Agreement, which total nearly 1.5 million tons for the developing countries. (Australia, which has a quota of 355,000 tons, would lose it entirely after 1974. If, however, we can persuade the Six that limited quantities of Commonwealth sugar should be allowed to enter the United Kingdom market without payment of levy, and thus to benefit to the full from the high Community price, it would be possible to scale down Commonwealth developing countries' quotas to a total of just over one million tons, and still maintain their export earnings in the United Kingdom. This would still leave room on the British market for some imports of Community sugar.

20. The exact balance to be struck between home-produced, Commonwealth and Community sugar would have to be settled in the course of the negotiations, but we should bear in mind that the more refined Community sugar we were obliged to accept, the higher would be the balance of payments cost to us (and the greater the difficulties faced by our cane refining industry which will, in any case, face a sharp reduction in its throughput).

on future agricultural policy. In the negotiations, however, we shall be accepting the basic principles of the CAP and at this stage have only the points mentioned below.

31. Firstly, we shall aim to reach agreement with the Six that the Commission would carry out an annual review of agriculture in the enlarged Community, consulting producers in the process and taking the results into account in making price proposals to the Council of Ministers. An agreement was worked out and published during the 1961-63 negotiations and it would be sufficient if the Six were prepared to reaffirm it now.

32. Secondly, we shall want to clarify what the likely implications would be for us of the Community's system for milk. Consumption of liquid milk per head of the population is much higher here than in the Community and we have long taken special steps to ensure that adequate liquid supplies are available in the winter months. We shall need to discuss in detail with the Six the application to us of their milk regime before deciding whether we need to ask for special arrangements to ensure adequate supplies of milk throughout the year.

33. We shall also need to seek clarification from the Community of their arrangements for pigmeat and eggs. In particular, we shall want to examine whether there is likely to be adequate market stability for these commodities in an enlarged Community and whether there are any modifications designed to prevent excessive price fluctuations which it would be in our interests to propose.

34. One question which we shall certainly need to raise in the negotiations concerns assistance to hill farmers. The livelihood of many small farmers in remote areas - particularly in Scotland, Wales, Northern Ireland and Northern and Western England - depends on the special assistance we currently provide to hill farmers. Taking into account the assistance in various forms

27. Hong Kong presents special problems. We shall be continuing to press in the OECD and UNCTAD discussions that Hong Kong should be included as one of the beneficiaries of any generalised preferences scheme, but the prospects of success are not good in the face of firm opposition from the Six in particular. In the end Hong Kong may well receive no benefits from this source. There is also a risk that the Six may work out a common commercial policy which would impose quota restrictions on certain imports into the Community from Hong Kong. We might then find ourselves expected to impose these restrictions, as well as the Common External Tariff, on our own imports from Hong Kong. We shall continue to argue against the development of a common commercial policy along these lines. But altogether the outlook for Hong Kong looks far from promising.

28. Of the Commonwealth countries in Europe, Malta has already begun negotiations with the Community for the conclusion of a customs union. Cyprus, as an independent European country, is also eligible to apply for full membership of, or association with, the Community. We shall therefore seek no special arrangements for these two countries. We shall, however, seek to ensure that Gibraltar is included as an integral part of the enlarged Community (as provided for in Article 227(4) of the Rome Treaty).

29. There remain the advanced Commonwealth countries - Canada, Australia and New Zealand. We do not intend to seek special arrangements covering their interests (other than New Zealand's butter and cheese exports). The CET and the agricultural levies would therefore be applied to our imports from these countries by stages during the transitional period and by the end of that period they would be treated like any other third country outside the Community. The Canadian and Australian Governments seem to be reconciled to the fact that this will be our approach.

Agricultural Questions

30. It is our declared intention to "come to terms with" the common agricultural policy. This does not mean that we are content with the CAP as it stands, any more than most members of the Six are; and we shall, of course, wish to take a full part as members of the Community in discussions

which the Six currently provide their agricultural industries, we must seek from the Six an assurance that our hill farmers will be able to continue to receive assistance on a comparable scale to what they now receive. We shall aim to leave open the possibility that this assistance might be financed from Community funds.

35. Finally, there are certain directives which the Six have made concerning such matters as animal and plant health regulations, food standards and pesticides regulations which would cause us serious problems and heavy economic loss if we were obliged to implement them as they stand. Our aim will be to mention these difficulties during the negotiations, but to persuade the Six that after our entry we should have the right to seek adjustments where our circumstances would make it inappropriate to apply their directives here or where we would need time before implementing them fully.

36. There are some other agricultural questions which we consider it best not to raise until after our entry. In particular, we shall want to try to preserve our marketing arrangements for maincrop potatoes broadly as they are and to retain the agricultural Marketing Boards after making such changes in their powers as may be necessary.

The Common External Tariff

37. We have already made it clear to the Six that in general we are content to accept the Common External Tariff as it will emerge when the Kennedy Round reductions have finally been implemented. But, because in a few cases this would mean a new charge on raw material supplies which could have damaging consequences for British industry, we shall want to seek certain tariff quotas, such as the existing members of the Community themselves were granted when the Treaty of Rome was signed. The list of commodities for which we shall request duty quotas has not yet been finalised and will in any case need to be considered in the light of the progress of the discussions between the Six and some of the other EFTA countries who are not applying for full membership of the Community. But it is likely to include lead, zinc, ferro alloys, aluminium, plywood, woodpulp, palm oil and a few others. We shall want to have detailed discussions with the Six on each of the commodities eventually included.

Capital Movements

38. So far as capital movements are concerned, we fully accept the obligations of membership subject only to a transitional period in which we would bring our practice gradually into line. The relaxation of exchange control on United Kingdom capital movements to the rest of an enlarged Community would result in some increase in the general level of capital outflow, largely in the form of investment yielding a delayed return. This increase could be very substantial in certain market situations, and the removal of controls would also widen the scope for potential volatile movements of funds, with a risk of intensifying the liquidity problem. For these reasons, a rigid and pre-determined time-table of changes over the transitional period must be avoided. De-control over this period - when the United Kingdom would be adjusting to the costs of entry - would have to be timed and phased so as to avoid exposure to unnecessary strains on the reserves. We intend to have technical discussions with the Six on this matter with the idea of proposing periodic reviews of progress through the transitional period.

39. The Treaty provides certain safeguards against the emergence of disturbances or excessive pressures in the field of capital movements, and also against the "leakage" of portfolio investment to third countries. The actual practice of the Six shows that these safeguards can be implemented effectively.

ECSC and EURATOM

40. The existing steel pricing arrangements in the ECSC are due for review and we shall wish to propose interim arrangements for the United Kingdom pending the outcome of the review in which we would take part. Otherwise we see no difficulty about acceptance of the Treaty of Paris and if the Six raise questions about the size, structure and ownership of the British Steel Corporation or the National Coal Board we could maintain that we do not regard these as in any way incompatible with the Treaty of Paris or relevant to the negotiations.

41. Similarly we do not foresee major difficulties on accession to the EURATOM Treaty although there is likely to be discussion about the control safeguards issue, the entry fee and the need to safeguard certain types of information.

Transitional Arrangements

42. If and when our negotiations with the Six have been successfully concluded, a period of perhaps 9 to 12 months will elapse between the signature of the agreement and its formal ratification by, and entry into force in, all the member States of the enlarged Community. We hope that the Six will then agree that the first year of the enlarged Community's formal existence should be a "standstill" or initiation period, during which we would complete the detailed legal and administrative preparations necessary before we could begin to carry out the obligations of membership, as well as seeking to clear up some of the issues which we will deliberately have left open for settlement after our entry. We envisage that by the end of this initiation year, we should be able to accept our full obligations as members of EURATOM and the ECSC.

43. But even a period of 21-24 months from signature of the agreement will be by no means long enough to allow industry and agriculture here (and in the Community, and some of our traditional trading partners) to adjust smoothly to the new circumstances which our entry will create. On the industrial side, we would like all tariff changes to be completed within a relatively short transitional period, so that the dynamic effects of our membership may be generated as rapidly as possible to offset the cost of the impact effects to our balance of payments. On the other hand, we should like a relatively long transitional period for agriculture, both in order to give adequate time for the switch from our present price pattern and system of agricultural support to the Community's system based on high prices and import levies, and also to allow the balance of payments cost of adopting the CAP and the substantial increase in retail food prices to build up slowly. We doubt, however, whether the Six and the other applicant countries would be prepared to see a wide discrepancy between the transitional periods for industry and for agriculture. They are likely to take the line that progress towards the free circulation of industrial goods should march sufficiently closely in step with the enlargement of the common agricultural market as to provide a balance of advantage for existing and future members of the Community and avoid distortion of the relative competitive position of the various countries. Bearing in mind, therefore, that we might eventually be forced to accept the same transitional

period for both industry and agriculture, our objective for agriculture would be to secure a period of 5-6 years, while for industry we would aim for 3 years, but would be prepared to accept 5 years. We should also require 5 years to remove restrictions on capital movements between the United Kingdom and the other members of the enlarged Community and to adopt the value-added tax. (In all cases, the "initiation" year would be included in the transitional period.)

44. As has already been mentioned earlier, quite apart from these transitional arrangements, we should be seeking special arrangements in the negotiations concerning our contributions to the Community's finances and access to the United Kingdom market for New Zealand's butter and cheese and Commonwealth sugar. Our aim would be to ensure that these special arrangements continued unchanged for a period substantially longer than the transitional period or periods eventually agreed for industry, agriculture and the other matters covered by the Treaty of Rome.

Published Papers

The following published paper(s) enclosed on this file have been removed and destroyed. Copies may be found elsewhere in the Public Record Office.

CMND. 4401: "THE UNITED KINGDOM

AND THE EUROPEAN COMMUNITIES"

Statement by Chancellor of the Duchy
of Lancaster, 30 June 1970

Published by HMSO, June 1970

Signed On Wayland Date 19/5/00

J R Green
Prime Minister's Office Records
Hepburn House, Marsham Street



For previous papers

see H.W. filing

Foreign Policy (EEC/EFTA)

Main file.